

CITY OF MANCHESTER, TENNESSEE

AUDIT REPORT

June 30, 2014



BEAN, RHOTON & KELLEY, PLLC

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CITY OF MANCHESTER, TENNESSEE
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INTRODUCTORY SECTION - UNAUDITED

CITY OF MANCHESTER, TENNESSEE
INTRODUCTORY SECTION - UNAUDITED
June 30, 2014

OFFICIALS OF THE CITY OF MANCHESTER, TENNESSEE

Elected

Lonnie Norman	Mayor
Ryan French	Vice Mayor
Russell Bryan	Alderman
Tim Kilgore	Alderman
Tim Pauley	Alderman
Lana Sain	Alderwoman
Cheryl Swan	Alderwoman

Appointed

Bridget Anderson	Finance Director/CFO
Mark Yother	Chief of Police
George DeShields	Fire Chief
Bryan Pennington	Director of Water & Sewer
Bonnie Gamble	Director of Parks & Recreation
Brent Carter	Director of Public Works
Paul Guess	Director of Building and Codes
Dr. Keith Brewer	Director of Schools



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen
City of Manchester, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Manchester, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

The City of Manchester had a fundamental lack of internal controls over capital assets. As a result, a timely and effective way to test capital assets is not determinable.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had the capital assets been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the

aggregate remaining fund information of the City of Manchester, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, General Purpose School Fund, and Debt service Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress on pages 3-12 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

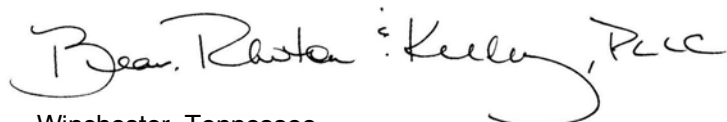
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Manchester, Tennessee's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

With the exception of the reporting worksheet and performance indicators, the other supplementary information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section, with the exception of the reporting worksheet, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, reporting worksheet, and performance indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 30, 2015, on our consideration of the City of Manchester, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Manchester, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Brian Rosta". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Winchester, Tennessee

March 30, 2015, except for note 19, as to which the date is October 15, 2015

Management's Discussion and Analysis

As management of the City of Manchester, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Financial Highlights:

- The assets of the City of Manchester exceeded its liabilities at the close of the most recent year by \$34,287,002.94. Of this amount, \$8,634,022.35 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Recreation Center received a Diabetes Grant A from the Department of Health in the amount of \$150,000 each year with a City match of \$30,000 for three years.
- The Recreation Center received a LPRF grant for Manchester Sports Park-Soccer Complex Phase I in the amount of \$87,500 each year for two years.
- The Recreation Center received a Diabetes Grant B from the Department of Health in the amount of \$15,000 each year for two years.
- The City of Manchester started a Safe Route to Schools Project for sidewalks using a TDOT grant for funding.
- The City of Manchester Police Department also received a grant from the Governor's Highway Safety in the amount of \$30,000 for car camera systems.
- The City of Manchester started the Greenway Extension Project for the Downtown area with a portion of the funding coming from grant money from TDOT, STP funds, and local match from City of Manchester and Tourism.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,519,533.78.
- The Government Accounting Standards Board issued Statement 54: Fund Balance Reporting and Governmental Fund Type Definitions. The implementation date for this standard is for periods beginning after June 15, 2010, which means FYE June 30, 2011. Governmental accounting standards now require the reporting of five classifications of fund balance: Non-Spendable, Restricted, Committed, Assigned and Unassigned. The City's audited financial statement addresses four categories: Non-spendable \$232,695.60; Assigned \$5,522,867.37; Restricted \$757,531.09; and Unassigned \$3,006,439.72. The Unassigned Fund Balance is available for spending at the government's discretion.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Manchester's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Manchester include general government, public works, public safety, state street aid, public welfare and recreation and schools. The business-type activities of the City include Water and Sewer services.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Manchester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may be better to understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Purpose School Fund which are considered to be major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report beginning on page 53.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the non-major funds.

The basic governmental fund financial statements can be found on pages 15 - 18 and 22 - 26 of this report.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented in the business-type activities in the governmental-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for Water and Sewer operations which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 48 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found beginning on page 53 of this report.

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Manchester, assets exceeded liabilities by \$34,287,002.94 at the close of this fiscal year.

By far the largest portion of the City's assets (72.01%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Manchester's Net Position

	Governmental 2014	Activities 2013	Business type 2014	Activities 2013
Current and other assets	\$15,876,229	\$17,391,650	\$13,610,919	\$14,852,588
Capital Assets	29,993,818	29,726,399	34,661,767	34,069,061
Total Assets	45,870,047	47,118,049	48,272,686	48,921,649
Long-term liabilities outstanding	24,572,498	25,207,688	26,481,561	27,320,449
Other Liabilities	6,985,266	7,423,600	1,816,405	2,330,524
Total Liabilities	31,557,764	32,631,288	28,297,966	29,650,973
Net Position				
Net Investment in Capital Assets	7,238,907	6,332,915	17,451,822	16,344,711
Restricted	962,252	749,127		
Unrestricted	6,111,124	7,404,719	2,522,898	2,925,966
Total net position	\$14,312,283	\$14,486,761	\$19,974,720	\$19,270,677

Changes in net position. Governmental activities decreased the City's net position by \$174,478. Business-type activities net position increased by \$704,044.

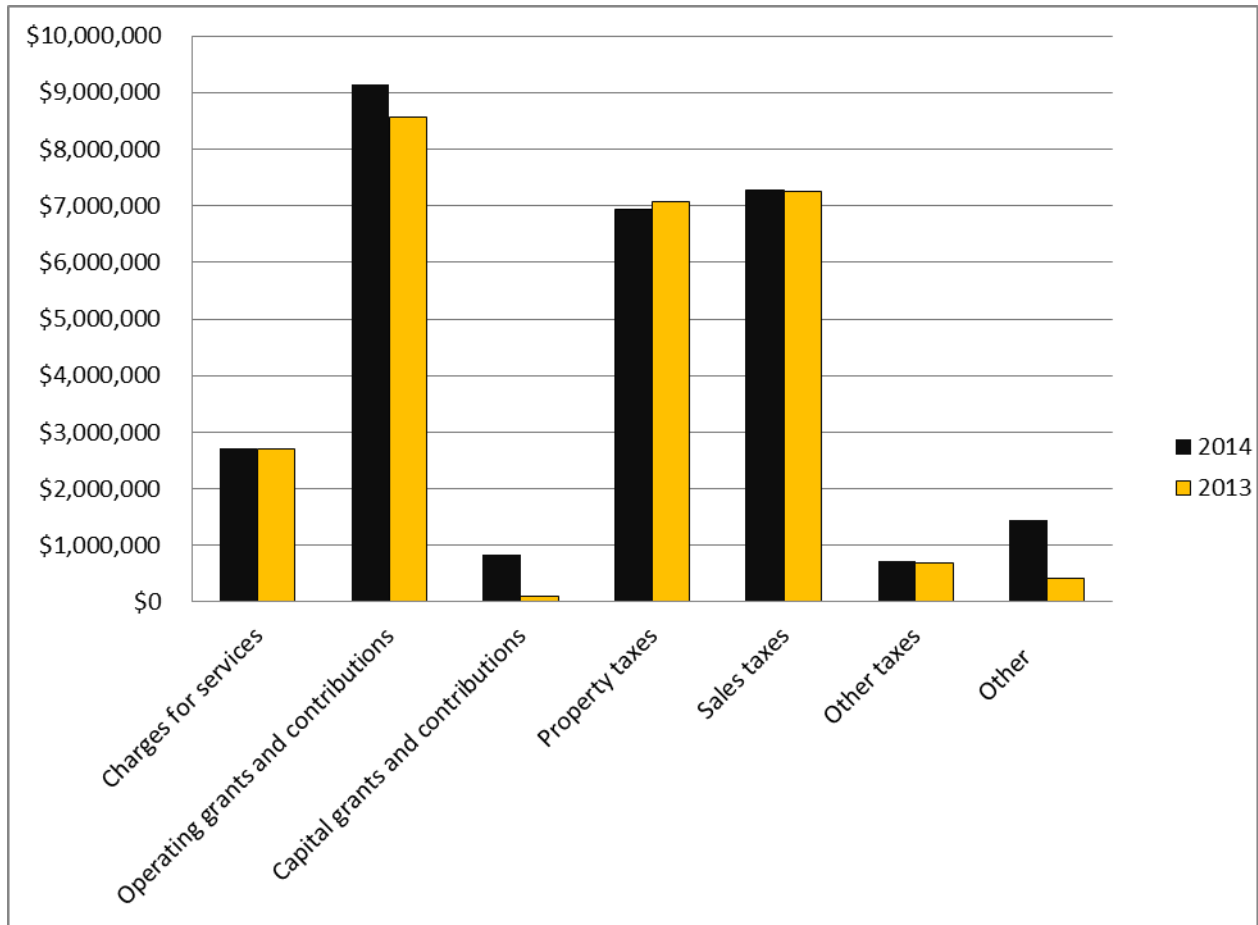
The table below provides a summary of the City's net assets broken down by governmental and business-type activities.

City of Manchester's Changes in Net Position

	Governmental Activities		Business-type Activities	
<u>Revenues</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Program revenues</u>				
Charges for services	\$2,708,613	\$2,698,297	\$6,595,727	\$5,282,592
Operating grants and contributions	9,148,064	8,560,584		
Capital grants and contributions	842,588	110,545		
<u>General Revenues</u>				
Property taxes	6,937,605	7,078,261		
Sales taxes	7,281,715	7,256,230		
Other taxes	721,917	698,022		
Other	1,452,998	415,399	13,060	12,664
Total revenues	<u>\$29,093,500</u>	<u>\$26,817,338</u>	<u>\$6,608,787</u>	<u>\$5,295,256</u>
<u>General Government</u>				
City Judge	\$ 12,000	\$ 10,000		
Mayor's Office	322,443	439,328		
Finance Dept.	307,253	340,845		
Police	2,688,444	2,925,922		
Fire	1,922,889	1,957,024		
Public Works	1,777,272	1,555,996		
Sanitation	1,013,308	981,947		
Planning/Zoning	262,225	270,837		
Recreation	1,912,156	1,940,942		
Education	15,982,884	14,982,913		
General Government	1,393,810	1,135,755		
Contributions	126,532	126,800		
Interest on debt	893,842	1,049,418		
Water & Sewer			5,770,952	5,791,619
Total expenses	<u>\$28,615,058</u>	<u>\$27,717,727</u>	<u>\$5,770,952</u>	<u>\$5,791,619</u>
Change in Net Position	478,441	(900,388)	837,835	(496,364)
Net Position, as previously reported	14,486,761	15,274,218	19,270,677	19,767,040
Restatement from prior year	(652,920)	112,931	(133,792)	
Net Position, beg. Of year as restated	<u>13,833,841</u>	<u>15,274,218</u>	<u>19,136,885</u>	<u>19,767,040</u>
Net Position, end of year	<u>\$14,312,283</u>	<u>\$14,486,761</u>	<u>\$19,974,720</u>	<u>\$19,270,677</u>

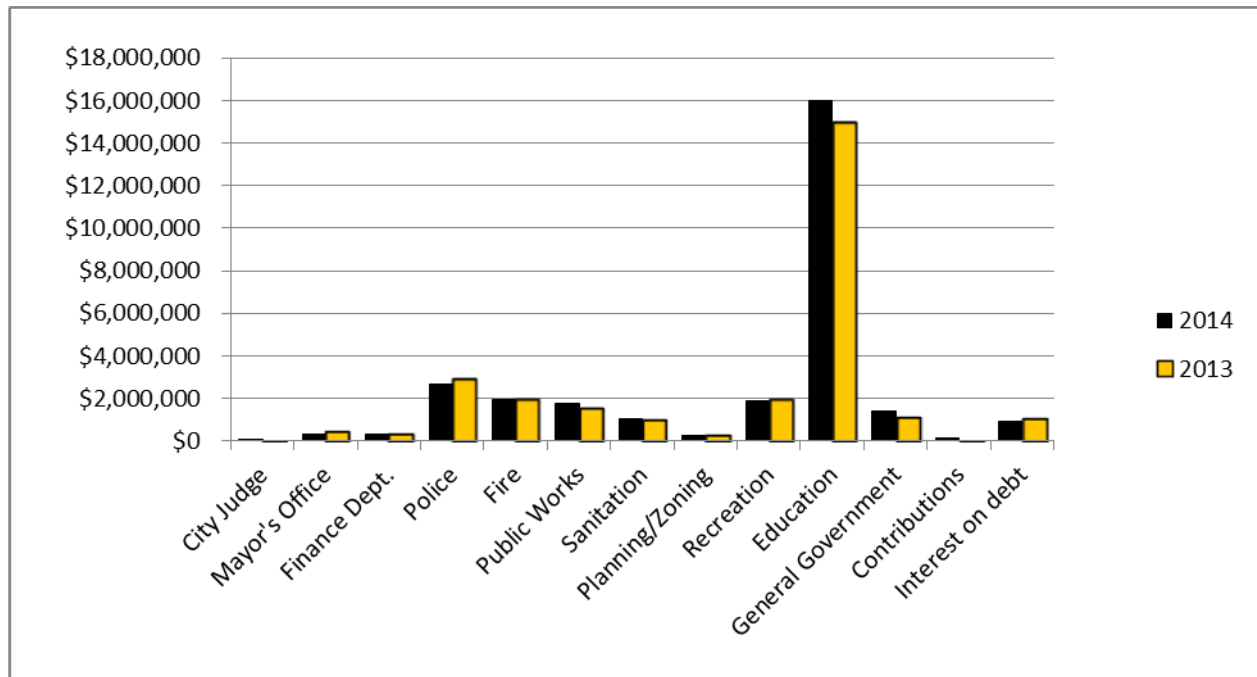
Revenues by Source – Governmental Activities

Revenues



Expenditures – Governmental Activities

Expenditures



Significant variances in Governmental Activities revenues and expenditures from that of the prior year were as follows:

- Although the property taxes and sales taxes decreased by \$115,171, the General Fund still had an overall increase in revenue of \$946,323.
- The overall expenditures increased by approximately \$897,331. The increase is due to inflation in supplies and equipment, additional training for employees, and purchase of fire truck.
- Education expenditures increased by \$999,971 as a result of much higher than average costs associated with FY14 textbook purchases, costs incurred purchase of multiple instructional software programs and accompanying support, NIET TAP grant, and a major roof repair at Westwood Elementary School.

Business-type Activities

Business-type activities accounted for revenue of \$6,757,391.07 which includes contributed capital.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Manchester's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,519,534, a decrease of \$906,244 in comparison with the prior year. Within the governmental funds, \$64,541 is restricted for Inventory and Prepaid Costs in the General Fund and \$23,434 in the School Cafeteria Fund. In the General Purpose School Fund, \$277,882 is restricted for ESP and We Care.

The general fund is the chief operation fund of the City of Manchester, Tennessee. Due to the compliance of GASB 54, the general fund recognizes "unassigned" fund balance instead of "unreserved" fund balance. At the end of this fiscal year, this amount is \$3,006,440. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 35.2% of total general fund expenditures.

The City's general fund had a negative Net Change in Fund Balance of \$285,250.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Assets at the end of the year for the Water and Sewer Fund amounted to \$2,522,898.51. This represents total Net Assets at June 30, 2014 of \$19,974,720.33.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were as follows: changes to revenues were as follows: General Fund – increase of \$104,728; General Purpose School Fund – increase of \$526,995; School Federal and State Programs – the change was insignificant; changes to appropriations of General Fund increase \$92,806; General Purpose School Fund – increase \$562,922; School Federal and State Programs – the change was insignificant.

Specific Revenue increases for the General Fund and General Purpose School Fund were as follows:

General Fund	Budgeted Amounts	
	Original	Final
Revenues:		
Total Taxes Revenue	\$ 9,670,384	\$9,586,884
General Purpose School Fund:		
Revenues	\$ 10,903,906	\$11,430,901
Operating Transfer-General Fund	\$ 1,678,467	\$1,678,467

Capital Assets

The City of Manchester's investment in capital assets from its governmental and business-type activities at June 30, 2014, amounts to \$64,655,584.85 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total of the City's investment in capital assets for the current fiscal year increased in the amount of \$828,999.26 (a net increase of \$236,293.63 for governmental activities and a net increase of \$592,705.63 for business-type activities).

City of Manchester's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 4,396,423	\$ 210,937	\$ 4,607,361
Buildings/land improvement and utility plant	27,472,613	48,455,236	75,927,849
Equipment and furniture	2,122,642	1,221,532	3,344,174
Infrastructure	23,755,279		23,755,279
Vehicles	4,112,034		4,112,034
Construction in progress	1,008,575	1,615,534	2,624,109
	62,867,566	51,503,239	114,370,805
Less Accumulated Depreciation	32,873,748	16,841,473	49,715,221
Net Capital Assets	\$29,993,818	\$34,661,766	\$64,655,584

Additional information on the City of Manchester's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

At the end of the current year, the City of Manchester had bonded debt outstanding of \$50,099,856. Of this amount, \$1,753,173 is due in the next fiscal year.

City of Manchester's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
Principal due in the next fiscal year	\$ 628,571	1,124,602	1,753,173

The City of Manchester's combined total bonded debt decreased in the amount of \$1,442,977 during the current fiscal year.

Additional information on the City of Manchester's debt can be found in the notes to the financial statements section of this report.

Currently Known Factors Affecting Future Years

The unemployment rate for the Coffee County at the end of the fiscal year was 6.6%. This compares to the State's average unemployment rate of 7.4% and the national average rate of 6.3%. Due to the economic situation, the City used the conservative approach in the preparation of next year's budget. Property tax collection and local option sales tax were increased slightly in an anticipation of a slow economy.

Requests for Information

This financial report is designed to provide a general overview of the City of Manchester, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/Chief Financial Officer, 200 West Fort Street, Manchester, TN 37355.

CITY OF MANCHESTER, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental	Business - type	
	Activities	Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,839,523.15	\$ 2,880,586.79	\$ 10,720,109.94
Receivables (net of allowance for uncollectibles)	7,699,581.98	546,941.50	8,246,523.48
Inventories	87,975.60	152,818.66	240,794.26
Internal balances	104,427.54	(104,427.54)	0.00
Capital assets:			
Non depreciable	5,042,410.19	1,826,470.88	6,868,881.07
Depreciable, net of accumulated depreciation	24,951,408.19	32,835,295.59	57,786,703.78
Receivable from Duck River Utility District	0.00	10,135,000.00	10,135,000.00
Other assets	144,720.00	0.00	144,720.00
Total assets	<u>45,870,046.65</u>	<u>48,272,685.88</u>	<u>94,142,732.53</u>
<u>LIABILITIES</u>			
Accounts payable	607,999.42	338,890.43	946,889.85
Accrued expenses	575,975.59	40,466.16	616,441.75
Customer deposits	0.00	312,446.53	312,446.53
Noncurrent liabilities:			
Due within one year	628,571.42	1,124,602.02	1,753,173.44
Due in more than one year	24,572,498.13	26,481,560.41	51,054,058.54
Total Liabilities	<u>26,385,044.56</u>	<u>28,297,965.55</u>	<u>54,683,010.11</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue	5,172,719.48	0.00	5,172,719.48
Total deferred inflows of resources	<u>5,172,719.48</u>	<u>0.00</u>	<u>5,172,719.48</u>
<u>NET POSITION</u>			
Net investment in capital assets	7,238,906.65	17,451,821.82	24,690,728.47
Restricted for: (Note 10)			
Specific purposes	471,065.37	0.00	471,065.37
BEP	203,173.00	0.00	203,173.00
ESP	69,668.27	0.00	69,668.27
School food service	213,304.65	0.00	213,304.65
We Care	5,040.83	0.00	5,040.83
Unrestricted	6,111,123.84	2,522,898.51	8,634,022.35
Total net position	<u>\$ 14,312,282.61</u>	<u>\$ 19,974,720.33</u>	<u>\$ 34,287,002.94</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Government Activities:							
City judge	\$ 12,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (12,000.00)	\$ 0.00	\$ (12,000.00)
Mayor's office	322,443.48	0.00	0.00	0.00	(322,443.48)	0.00	(322,443.48)
Finance department	307,252.54	0.00	0.00	0.00	(307,252.54)	0.00	(307,252.54)
Police	2,688,443.76	262,326.23	0.00	28,084.91	(2,398,032.62)	0.00	(2,398,032.62)
Fire	1,922,889.49	0.00	0.00	0.00	(1,922,889.49)	0.00	(1,922,889.49)
Public works	1,777,271.71	0.00	179,217.12	0.00	(1,598,054.59)	0.00	(1,598,054.59)
Sanitation	1,013,308.07	991,312.32	0.00	0.00	(21,995.75)	0.00	(21,995.75)
Planning and zoning	262,224.62	0.00	0.00	0.00	(262,224.62)	0.00	(262,224.62)
Recreation	1,912,156.25	1,090,818.60	5,000.00	290,000.00	(526,337.65)	0.00	(526,337.65)
Education	15,982,883.58	347,426.19	8,961,346.58	0.00	(6,674,110.81)	0.00	(6,674,110.81)
General government	1,393,810.49	16,730.10	2,500.00	524,502.66	(850,077.73)	0.00	(850,077.73)
Contributions	126,532.53	0.00	0.00	0.00	(126,532.53)	0.00	(126,532.53)
Interest on debt	893,841.87	0.00	0.00	0.00	(893,841.87)	0.00	(893,841.87)
Total Government Activities	28,615,058.39	2,708,613.44	9,148,063.70	842,587.57	(15,915,793.68)	0.00	(15,915,793.68)
Business-type Activities							
Water and sewer	5,770,951.72	6,595,726.72	0.00	0.00	0.00	824,775.00	824,775.00
TOTAL BUSINESS-TYPE ACTIVITIES	5,770,951.72	6,595,726.72	0.00	0.00	0.00	824,775.00	824,775.00
TOTAL PRIMARY GOVERNMENTS	\$ 34,386,010.11	\$ 9,304,340.16	\$ 9,148,063.70	\$ 842,587.57	(15,915,793.68)	824,775.00	(15,091,018.68)
General Revenues:							
Property taxes and in lieu of tax					6,937,604.75	0.00	6,937,604.75
Sales taxes					7,281,715.01	0.00	7,281,715.01
Other state shared taxes					721,917.38	0.00	721,917.38
Licenses and permits					99,519.50	0.00	99,519.50
Unrestricted investment earnings and rental income					54,283.88	13,060.29	67,344.17
Other					1,299,194.61	0.00	1,299,194.61
Total general revenues and transfers					16,394,235.13	13,060.29	16,407,295.42
Change in net position					478,441.45	837,835.29	1,316,276.74
Net position - beginning of year, as previously reported					14,486,761.09	19,270,676.61	33,757,437.70
Restatement (Note 17)					(652,919.93)	(133,791.57)	(786,711.50)
Net position - beginning of year, as restated					13,833,841.16	19,136,885.04	32,970,726.20
Net position - ending					\$ 14,312,282.61	\$ 19,974,720.33	\$ 34,287,002.94

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	General Purpose School Fund	Debt Service Fund	Other Governmental Funds	Total
<u>ASSETS</u>					
Cash	\$ 2,092,408.06	\$ 2,740,407.46	\$ 2,154,686.55	\$ 852,021.08	\$ 7,839,523.15
Receivables, less allowance for doubtful accounts	6,376,537.91	598,739.45	0.00	724,304.62	7,699,581.98
Due from other funds	9,094.97	0.00	0.00	96,131.41	105,226.38
Prepaid costs	0.00	144,720.00	0.00	0.00	144,720.00
Inventories	64,541.39	0.00	0.00	23,434.21	87,975.60
Total Assets	<u>\$ 8,542,582.33</u>	<u>\$ 3,483,866.91</u>	<u>\$ 2,154,686.55</u>	<u>\$ 1,695,891.32</u>	<u>\$ 15,877,027.11</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 225,146.12	\$ 72,249.53	\$ 0.00	\$ 310,603.77	\$ 607,999.42
Accrued costs	137,025.29	343,865.93	0.00	95,084.37	575,975.59
Due to other funds	0.00	798.84	0.00	0.00	798.84
Deferred revenue	5,109,429.81	0.00	0.00	63,289.67	5,172,719.48
Total Liabilities	<u>5,471,601.22</u>	<u>416,914.30</u>	<u>0.00</u>	<u>468,977.81</u>	<u>6,357,493.33</u>
<u>FUND BALANCES</u>					
Nonspendable	64,541.39	144,720.00	0.00	23,434.21	232,695.60
Restricted	0.00	277,882.10	0.00	479,648.99	757,531.09
Assigned	0.00	2,644,350.51	2,154,686.55	723,830.31	5,522,867.37
Unassigned	3,006,439.72	0.00	0.00	0.00	3,006,439.72
Total Fund Balances	<u>3,070,981.11</u>	<u>3,066,952.61</u>	<u>2,154,686.55</u>	<u>1,226,913.51</u>	<u>9,519,533.78</u>
Total Liabilities and Fund Balances	<u>\$ 8,542,582.33</u>	<u>\$ 3,483,866.91</u>	<u>\$ 2,154,686.55</u>	<u>\$ 1,695,891.32</u>	<u>\$ 15,877,027.11</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Amounts reported for fund balances - total governmental funds	\$ 9,519,533.78
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation, are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	29,993,818.38
Certain liabilities are not reported in this fund financial statement because they are not due and payable within one year, but they are presented in the statement of net position.	
Bonds Payable - (\$22,754,911.73)	
OPEB Obligation - (\$665,457.00)	
Compensated Absences - (\$1,780,700.82)	<u>(25,201,069.55)</u>
Net position of governmental activities	<u>\$ 14,312,282.61</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	General Purpose School Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,747,955.85	\$ 3,685,917.77	\$ 0.00	\$ 237,157.97	\$ 13,671,031.59
Licenses and permits	99,519.50	0.00	0.00	0.00	99,519.50
Fines and fees	262,326.23	0.00	0.00	0.00	262,326.23
Charges for services	16,730.10	150,200.62	0.00	2,287,391.49	2,454,322.21
Intergovernmental	1,550,105.24	7,341,323.99	0.00	1,969,165.65	10,860,594.88
Uses of money and property	0.00	6,208.69	47,864.61	0.00	54,073.30
Miscellaneous	152,968.55	96,226.94	0.00	645,145.99	894,341.48
Total Revenue	11,829,605.47	11,279,878.01	47,864.61	5,138,861.10	28,296,209.19
EXPENDITURES					
Current:					
City judge	12,000.00	0.00	0.00	0.00	12,000.00
Mayor's office	311,051.28	0.00	0.00	0.00	311,051.28
Finance department	299,689.94	0.00	0.00	0.00	299,689.94
Information systems	113,195.17	0.00	0.00	0.00	113,195.17
Police	2,611,276.20	0.00	0.00	0.00	2,611,276.20
Fire	1,893,961.70	0.00	0.00	0.00	1,893,961.70
Public works	1,587,733.47	0.00	0.00	0.00	1,587,733.47
Sanitation	0.00	0.00	0.00	990,578.74	990,578.74
Planning and zoning	259,414.50	0.00	0.00	0.00	259,414.50
Parks and recreation	0.00	0.00	0.00	1,638,755.43	1,638,755.43
Education:					
Administration	0.00	1,940,475.28	0.00	0.00	1,940,475.28
Regular education	0.00	7,487,712.14	0.00	0.00	7,487,712.14
Special education	0.00	1,447,991.03	0.00	0.00	1,447,991.03
Attendance	0.00	103,873.23	0.00	0.00	103,873.23
Health services and other student support	0.00	420,327.96	0.00	0.00	420,327.96
Instructional staff	0.00	694,773.90	0.00	0.00	694,773.90
Plant operations	0.00	824,499.40	0.00	0.00	824,499.40
Plant maintenance	0.00	610,543.58	0.00	0.00	610,543.58
Transportation	0.00	34,617.43	0.00	0.00	34,617.43
Community services	0.00	195,219.42	0.00	0.00	195,219.42
Program costs	0.00	0.00	1,860.00	1,902,791.52	1,904,651.52
General government	520,831.20	0.00	0.00	0.00	520,831.20
Contributions	126,532.53	0.00	0.00	0.00	126,532.53
Debt service	0.00	0.00	12,702,413.29	0.00	12,702,413.29
Capital outlay	797,182.00	0.00	0.00	1,061,576.10	1,858,758.10
Total Expenditures	8,532,867.99	13,760,033.37	12,704,273.29	5,593,701.79	40,590,876.44
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	3,296,737.48	(2,480,155.36)	(12,656,408.68)	(454,840.69)	(12,294,667.25)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	11,170,000.00	0.00	0.00	0.00	11,170,000.00
Bond premiums	144,976.67	0.00	0.00	0.00	144,976.67
Bond issuance costs	(112,103.34)	0.00	0.00	0.00	(112,103.34)
Capital contributions	153,195.00	0.00	0.00	0.00	153,195.00
Operating transfers from other funds	0.00	1,678,467.00	12,702,413.29	679,387.00	15,060,267.29
Operating transfers to other funds	(14,938,055.33)	0.00	0.00	(122,211.96)	(15,060,267.29)
Total Other Financing Sources (Uses)	(3,581,987.00)	1,678,467.00	12,702,413.29	557,175.04	11,356,068.33
Net change in Fund Balance	(285,249.52)	(801,688.36)	46,004.61	102,334.35	(938,598.92)
Fund Balance, beginning of year, as previously reported	3,356,230.63	3,868,640.97	2,108,681.94	1,092,223.83	10,425,777.37
Restatement (Note 17)	0.00	0.00	0.00	32,355.33	32,355.33
Fund Balance, beginning of year, as restated	3,356,230.63	3,868,640.97	2,108,681.94	1,124,579.16	10,458,132.70
Fund Balance, ending	\$ 3,070,981.11	\$ 3,066,952.61	\$ 2,154,686.55	\$ 1,226,913.51	\$ 9,519,533.78

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Amounts reported for fund balances - total governmental funds	\$ (938,598.92)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The amount by which capital outlays are reported in the Governmental Funds is more than depreciation for the year.	
Capital outlays: \$1,858,758.10	
Depreciation: (\$1,501,026.73)	357,731.37
Donations of capital assets held for use in general governmental operations are not reported in the governmental funds, but are presented in the statement of activities.	600,000.00
Gains and losses are not presented in this financial statement because they do not provide or use current financial resources, but they are presented in the statement of activities.	(100,881.02)
Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the government - wide statement of changes in net assets compensated absences are expensed as they are accrued.	
Change in the compensated absences liability	(1,924.40)
OPEB benefits cannot be used until the employee is no longer employed by the City, therefore they are not paid in cash until a date that may extend well into the future.	
Change in OPEB obligations	(76,457.00)
The issuance of long - term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Loan proceeds: \$11,170,000.00	(11,170,000.00)
Note principal retirement: \$11,808,571.42	<u>11,808,571.42</u>
Change in net position of governmental activities	<u>\$ 478,441.45</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Water and Sewer Fund	Total
<u>ASSETS</u>		
Cash	\$ 2,880,586.79	\$ 2,880,586.79
Accounts receivable (net of allowances for uncollectibles)	546,941.50	546,941.50
Inventories	152,818.66	152,818.66
Capital assets:		
Nondepreciable		
Depreciable, net of accumulated depreciation	34,661,766.47	34,661,766.47
Receivable from DRUC	10,135,000.00	10,135,000.00
TOTAL ASSETS	<u>48,377,113.42</u>	<u>48,377,113.42</u>
<u>LIABILITIES</u>		
Accounts payable	338,890.43	338,890.43
Accrued expenses	301,683.94	301,683.94
Due to other funds	104,427.54	104,427.54
Customer deposits	312,446.53	312,446.53
Noncurrent liabilities		
Due within one year	1,124,602.02	1,124,602.02
Due in more than one year	26,220,342.63	26,220,342.63
TOTAL LIABILITIES	<u>28,402,393.09</u>	<u>28,402,393.09</u>
<u>NET POSITION</u>		
Net investment in capital assets	17,451,821.82	17,451,821.82
Unrestricted	2,522,898.51	2,522,898.51
TOTAL NET POSITION	<u>\$ 19,974,720.33</u>	<u>\$ 19,974,720.33</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Water and Sewer Fund	Total
Operating Revenues:		
Metered water sales	\$ 2,865,433.75	\$ 2,865,433.75
Sewer service charges	1,993,607.72	1,993,607.72
Other revenues from operations	351,885.04	351,885.04
Total Operating Revenues:	<u>5,210,926.51</u>	<u>5,210,926.51</u>
Operating Expenses:		
Water Distribution:		
Water purchased	1,137,855.80	1,137,855.80
Utilities	82,714.59	82,714.59
Shop and Maintenance:		
Salaries	908,670.02	908,670.02
Employee benefits	393,456.85	393,456.85
Utilities	4,729.55	4,729.55
Repair and maintenance	174,625.38	174,625.38
Operating supplies	60,253.90	60,253.90
Administration and General:		
Salaries	130,259.65	130,259.65
Employee benefits	64,394.98	64,394.98
Services	65,221.02	65,221.02
Supplies	14,307.01	14,307.01
Insurance	12,290.00	12,290.00
Other	8,398.23	8,398.23
Sewer Treatment:		
Salaries	133,057.05	133,057.05
Employee benefits	63,241.30	63,241.30
Services	387,070.23	387,070.23
Supplies	48,312.80	48,312.80
Mechanical Maintenance:		
Salaries	90,524.65	90,524.65
Employee benefits	30,910.94	30,910.94
Supplies	3,152.19	3,152.19
Depreciation and Amortization	1,365,136.64	1,365,136.64
Total Operating Expenses	<u>5,178,582.78</u>	<u>5,178,582.78</u>
Operating Income	<u>32,343.73</u>	<u>32,343.73</u>
Nonoperating Revenues (Expenses):		
Interest income	13,060.29	13,060.29
Bond premiums	269,114.57	269,114.57
Bond issuance costs	(44,139.88)	(44,139.88)
Loss on sales of fixed assets	(148,604.06)	(148,604.06)
Other income	17,400.00	17,400.00
Interest expense	(548,229.06)	(548,229.06)
Total Nonoperating Revenues (Expenses)	<u>(441,398.14)</u>	<u>(441,398.14)</u>
Loss before capital contributions	(409,054.41)	(409,054.41)
Capital contributions	<u>1,246,889.70</u>	<u>1,246,889.70</u>
Change in Fund Net Position	837,835.29	837,835.29
Net position, beginning of year, as previously reported	19,270,676.61	19,270,676.61
Restatement (Note 17)	(133,791.57)	(133,791.57)
Net position, beginning of year, as restated	<u>19,136,885.04</u>	<u>19,136,885.04</u>
Net position, ending	<u>\$ 19,974,720.33</u>	<u>\$ 19,974,720.33</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Water and Sewer Fund	Total
<u>Cash Flows from Operating Activities</u>		
Cash received from customers	\$ 5,126,152.21	\$ 5,126,152.21
Cash paid to employees for services	(1,578,658.39)	(1,578,658.39)
Cash paid to suppliers of goods and services	(2,618,243.79)	(2,618,243.79)
Other receipts (payments)	714,651.38	714,651.38
Net Cash provided by Operating Activities	<u>1,643,901.41</u>	<u>1,643,901.41</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisitions of capital assets	(1,315,526.46)	(1,315,526.46)
Proceeds from capital debt	4,063,000.00	4,063,000.00
Interest paid on capital debt	(593,939.44)	(593,939.44)
Principal paid on capital debt	(4,573,236.44)	(4,573,236.44)
Net Cash (used) by Capital and Related Financing Activities	<u>(2,419,702.34)</u>	<u>(2,419,702.34)</u>
<u>Cash Flows from Investing Activities</u>		
Interest received on investments	13,060.29	13,060.29
Net Cash provided by Investing Activities	<u>13,060.29</u>	<u>13,060.29</u>
Net Decrease in Cash	(762,740.64)	(762,740.64)
Cash, Beginning of Year	3,643,327.43	3,643,327.43
Cash, End of Year	<u>\$ 2,880,586.79</u>	<u>\$ 2,880,586.79</u>
Reconciliation of Operating Income to Net Cash Provided by Operations		
Operating income	\$ 32,343.73	\$ 32,343.73
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,365,136.64	1,365,136.64
(Increase) decrease in:		
Accounts receivable	3,772.92	3,772.92
Inventories	(59,441.93)	
Increase (decrease) in:		
Accounts payable	302,090.05	302,090.05
Net Cash Provided By Operating Activities	<u>\$ 1,643,901.41</u>	<u>\$ 1,643,901.41</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	Budgetary Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenue					
Taxes:					
Real and personal property taxes	\$ 4,608,384.00	\$ 4,643,384.00	\$ 4,561,884.00	\$ 4,510,474.19	\$ (51,409.81)
Penalty and interest	65,000.00	65,000.00	60,000.00	62,547.82	2,547.82
Local option sales tax	3,650,000.00	3,650,000.00	3,650,000.00	3,736,427.34	86,427.34
Beer tax	470,000.00	470,000.00	470,000.00	486,813.88	16,813.88
Wholesale liquor tax	197,000.00	197,000.00	215,000.00	220,085.78	5,085.78
Business tax	250,000.00	250,000.00	200,000.00	275,884.69	75,884.69
Motel tax	315,000.00	315,000.00	315,000.00	331,975.66	16,975.66
Cable TV	115,000.00	115,000.00	115,000.00	123,746.49	8,746.49
Total Taxes	9,670,384.00	9,705,384.00	9,586,884.00	9,747,955.85	161,071.85
Licenses and Permits:					
Beer and liquor permits	17,000.00	17,000.00	17,000.00	17,103.00	103.00
Building permits	50,000.00	50,000.00	75,000.00	82,416.50	7,416.50
Total Licenses and Permits	67,000.00	67,000.00	92,000.00	99,519.50	7,519.50
Fines and Fees:					
Fees and costs	226,500.00	226,825.00	251,575.00	262,326.23	10,751.23
Total Fines and Fees	226,500.00	226,825.00	251,575.00	262,326.23	10,751.23
Charges for Services:					
Other	16,000.00	17,500.00	17,900.00	16,730.10	(1,169.90)
Total Charge for Services	16,000.00	17,500.00	17,900.00	16,730.10	(1,169.90)
Intergovernmental:					
Sales tax	675,000.00	675,000.00	700,000.00	722,780.53	22,780.53
State beer tax	5,000.00	5,000.00	5,000.00	4,780.08	(219.92)
State excise tax	50,000.00	50,000.00	95,798.00	95,798.32	0.32
State income tax	45,000.00	45,000.00	45,000.00	85,872.08	40,872.08
Mixed drink tax	40,000.00	40,000.00	40,000.00	41,713.31	1,713.31
Streets and transportation	20,000.00	20,000.00	20,000.00	20,673.25	673.25
Street aid revenue	180,000.00	180,000.00	180,000.00	179,217.12	(782.88)
TVA payments in lieu of tax	116,500.00	116,500.00	112,000.00	111,795.22	(204.78)
Manchester Housing Authority	9,600.00	10,050.00	10,050.00	10,050.00	0.00
Allocation - state & local	83,000.00	83,000.00	83,000.00	49,913.90	(33,086.10)
Federal and state grants	0.00	6,000.00	171,925.00	42,368.84	(129,556.16)
State 3% gas tax	70,000.00	70,000.00	75,000.00	82,142.59	7,142.59
Coffee County Industrial Park	57,600.00	57,600.00	57,600.00	57,600.00	0.00
Other intergovernmental	180,225.00	174,225.00	38,400.00	35,400.00	(3,000.00)
Coffee County appropriation to Fire Dept.	10,000.00	10,000.00	10,000.00	10,000.00	0.00
Total Intergovernmental	1,541,925.00	1,542,375.00	1,643,773.00	1,550,105.24	(93,667.76)
Miscellaneous income	87,500.00	110,650.00	121,905.00	152,968.55	31,063.55
Total Miscellaneous	87,500.00	110,650.00	121,905.00	152,968.55	31,063.55
Total Revenues	11,609,309.00	11,669,734.00	11,714,037.00	11,829,605.47	115,568.47

(continued)

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND (continued)
For the Year Ended June 30, 2014

	Budgetary Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Expenditures					
City Judge:					
Retainer	10,000.00	12,000.00	12,000.00	12,000.00	0.00
Total City Judge	10,000.00	12,000.00	12,000.00	12,000.00	0.00
Mayor's Office:					
Personnel costs	182,721.00	182,421.00	177,036.00	161,128.17	15,907.83
Contractual services	107,000.00	107,050.00	110,100.00	136,991.12	(26,891.12)
Supplies	17,950.00	16,450.00	18,830.00	12,931.99	5,898.01
Total	307,671.00	305,921.00	305,966.00	311,051.28	(5,085.28)
Capital Outlay	5,080.00	5,080.00	540.00	5,080.00	(4,540.00)
Total Mayor's Office	312,751.00	311,001.00	306,506.00	316,131.28	(9,625.28)
Finance Department:					
Personnel costs	256,761.00	256,761.00	255,761.00	240,349.04	15,411.96
Contractual services	36,750.00	37,442.00	41,307.00	38,672.48	2,634.52
Supplies	19,050.00	19,050.00	16,750.00	20,668.42	(3,918.42)
Total	312,561.00	313,253.00	313,818.00	299,689.94	14,128.06
Capital Outlay	5,000.00	8,000.00	8,000.00	0.00	8,000.00
Total Finance Department	317,561.00	321,253.00	321,818.00	299,689.94	22,128.06
Information Systems Department:					
Personnel costs	106,885.00	110,885.00	111,563.00	106,828.18	4,734.82
Contractual services	7,820.00	7,320.00	7,270.00	5,136.74	2,133.26
Supplies	8,200.00	4,700.00	3,350.00	1,230.25	2,119.75
Total	122,905.00	122,905.00	122,183.00	113,195.17	8,987.83
Capital Outlay	0.00	0.00	0.00	3,000.00	(3,000.00)
Total Finance Department	122,905.00	122,905.00	122,183.00	116,195.17	5,987.83
Public Safety					
Police Department:					
Personnel costs	2,489,692.00	2,489,692.00	2,490,192.00	2,389,709.40	100,482.60
Contractual services	168,700.00	168,700.00	169,150.00	166,022.95	3,127.05
Supplies	40,050.00	40,050.00	40,000.00	55,543.85	(15,543.85)
Total	2,698,442.00	2,698,442.00	2,699,342.00	2,611,276.20	88,065.80
Capital Outlay	52,500.00	52,500.00	69,375.00	45,700.00	23,675.00
Total Police Department	2,750,942.00	2,750,942.00	2,768,717.00	2,656,976.20	111,740.80
Fire Department:					
Personnel costs	1,820,397.00	1,828,397.00	1,830,397.00	1,777,547.67	52,849.33
Contractual services	68,100.00	67,100.00	71,550.00	75,033.93	(3,483.93)
Supplies	33,450.00	45,399.00	43,849.00	41,380.10	2,468.90
Total	1,921,947.00	1,940,896.00	1,945,796.00	1,893,961.70	51,834.30
Capital Outlay	580,000.00	578,427.00	578,427.00	583,507.00	(5,080.00)
Total Fire Department	2,501,947.00	2,519,323.00	2,524,223.00	2,477,468.70	46,754.30
Total Public Safety	5,252,889.00	5,270,265.00	5,292,940.00	5,134,444.90	158,495.10
Public Works:					
Personnel costs	908,288.00	908,288.00	908,988.00	887,089.58	21,898.42
Contractual services	117,000.00	117,000.00	128,000.00	99,521.41	28,478.59
Supplies	119,250.00	112,550.00	112,550.00	113,867.52	(1,317.52)
State Street Aid Expenditures:					
Street lighting	200,000.00	200,000.00	200,000.00	186,757.84	13,242.16
Street paving	300,960.00	330,960.00	328,510.00	306,368.72	22,141.28
Total	1,645,498.00	1,668,798.00	1,678,048.00	1,593,605.07	84,442.93
Capital Outlay	13,000.00	19,700.00	25,800.00	159,895.00	(134,095.00)
Total Highway and Streets	1,658,498.00	1,688,498.00	1,703,848.00	1,753,500.07	(49,652.07)
Planning and Zoning:					
Personnel costs	221,210.00	223,710.00	223,710.00	229,282.37	(5,572.37)
Contractual services	11,000.00	11,000.00	13,900.00	11,650.08	2,249.92
Supplies	21,811.00	19,311.00	19,311.00	12,610.45	6,700.55
Total Planning and Zoning	254,021.00	254,021.00	256,921.00	253,542.90	3,378.10

(continued)

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND (continued)
For the Year Ended June 30, 2014

	Budgetary Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Expenditures, Continued:					
General Government:					
Personnel costs	700.00	700.00	300.00	293.96	6.04
Contractual services	344,225.00	344,325.00	358,825.00	207,027.19	151,797.81
Supplies	7,500.00	7,500.00	7,000.00	4,215.05	2,784.95
Insurance	312,500.00	313,015.00	316,015.00	309,295.00	6,720.00
Total Current	664,925.00	665,540.00	682,140.00	520,831.20	161,308.80
Capital Outlay	12,000.00	12,000.00	0.00	0.00	0.00
Total General Government	676,925.00	677,540.00	682,140.00	520,831.20	161,308.80
Contributions:					
Current:					
Coffee County Conference Center	80,000.00	80,000.00	80,000.00	71,295.53	8,704.47
Coffee County Child Care	2,500.00	2,500.00	2,500.00	2,500.00	0.00
Coffee County Children's Advocacy Center	6,500.00	6,500.00	6,500.00	6,500.00	0.00
Library	12,000.00	12,000.00	12,000.00	12,000.00	0.00
Coffee County Senior Center	2,500.00	2,500.00	2,500.00	2,500.00	0.00
Manchester Senior Center	2,500.00	2,500.00	2,500.00	2,500.00	0.00
South Central TN Development District	2,121.00	2,121.00	2,121.00	2,121.00	0.00
South Central Human Resources	1,616.00	1,616.00	1,616.00	1,616.00	0.00
Tennessee Backroads Heritage	1,000.00	1,000.00	1,000.00	1,000.00	0.00
Leadership Class	0.00	0.00	0.00	1,000.00	(1,000.00)
Chamber of Commerce	12,500.00	12,500.00	12,500.00	12,500.00	0.00
CASA	1,000.00	1,000.00	1,000.00	0.00	1,000.00
Vocational Training Center	11,000.00	11,000.00	11,000.00	11,000.00	0.00
Total Contributions	135,237.00	135,237.00	135,237.00	126,532.53	8,704.47
Total Expenditures	8,740,787.00	8,792,720.00	8,833,593.00	8,532,867.99	300,725.01
Excess of					
revenues over expenditures	2,868,522.00	2,877,014.00	2,880,444.00	3,296,737.48	416,293.48
Other Financing Sources (Uses):					
Loan proceeds	0.00	0.00	0.00	11,170,000.00	11,170,000.00
Bond premiums	0.00	0.00	0.00	144,976.67	144,976.67
Bond issuance costs	0.00	0.00	0.00	(112,103.34)	(112,103.34)
Capital contributions	0.00	0.00	0.00	153,195.00	153,195.00
Transfer to General Purpose School Fund	(1,678,467.00)	(1,678,467.00)	(1,678,467.00)	(1,678,467.00)	0.00
Transfer to Recreation Fund	(475,000.00)	(475,000.00)	(475,000.00)	(475,000.00)	0.00
Transfer to Sanitation Fund	(57,000.00)	(57,000.00)	(57,000.00)	(57,000.00)	0.00
Transfer to Community Service	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	0.00
Transfer to Tourism	0.00	(126,387.00)	(126,387.00)	(126,387.00)	0.00
Transfer to Debt Service Fund	(1,446,567.00)	(1,446,567.00)	(1,446,567.00)	(12,594,201.33)	(11,147,634.33)
Total Financing (Uses)	(3,664,034.00)	(3,790,421.00)	(3,790,421.00)	(3,581,987.00)	208,434.00
Excess (deficiency) of					
revenues over expenditures and					
other financing sources (uses)	(795,512.00)	(913,407.00)	(909,977.00)	(285,249.52)	624,727.48
Fund Balance, Beginning of Year	3,356,230.63	3,356,230.63	3,356,230.63	3,356,230.63	0.00
Fund Balance, End of Year	<u>\$ 2,560,718.63</u>	<u>\$ 2,442,823.63</u>	<u>\$ 2,446,253.63</u>	<u>\$ 3,070,981.11</u>	<u>\$ 624,727.48</u>

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Taxes:					
Property tax	\$ 2,426,000.00	\$ 2,426,000.00	\$ 2,434,000.00	\$ 2,296,553.12	\$ (137,446.88)
Local option sales tax	1,450,000.00	1,450,000.00	1,450,000.00	1,384,000.64	(65,999.36)
Other taxes	5,800.00	5,800.00	6,000.00	6,414.40	414.40
Total Taxes	3,881,800.00	3,881,800.00	3,890,000.00	3,686,968.16	(203,031.84)
Intergovernmental					
Federal & State Education grants	6,838,256.00	6,838,256.00	7,336,307.00	7,378,767.33	42,460.33
Total Intergovernmental	6,838,256.00	6,838,256.00	7,336,307.00	7,378,767.33	42,460.33
Charges for Services:					
Tuition and other	160,500.00	160,500.00	143,000.00	150,200.62	7,200.62
Miscellaneous:					
Other income	23,350.00	23,350.00	61,594.00	63,941.90	2,347.90
Total Revenues	10,903,906.00	10,903,906.00	11,430,901.00	11,279,878.01	(151,022.99)
Expenditures:					
Current:					
Education:					
Administration	2,357,963.00	2,357,963.00	2,529,898.00	2,528,032.64	1,865.36
Regular education	7,243,436.00	7,243,436.00	7,428,352.00	7,286,089.68	142,262.32
Special education	1,392,281.00	1,392,281.00	1,407,573.00	1,390,711.42	16,861.58
Attendance	130,335.00	130,335.00	102,083.00	103,873.23	(1,790.23)
Health services and other students support	118,367.00	118,367.00	128,792.00	129,111.25	(319.25)
Instructional staff	622,102.00	622,102.00	653,896.00	657,335.32	(3,439.32)
Plant operations	859,499.00	859,499.00	857,881.00	824,499.40	33,381.60
Plant maintenance	412,567.00	412,567.00	425,835.00	610,543.58	(184,708.58)
Transportation	40,795.00	40,795.00	37,657.00	34,617.43	3,039.57
Capital outlay	1.00	1.00	182,001.00	0.00	182,001.00
Community services	217,377.00	217,377.00	203,677.00	195,219.42	8,457.58
Total Expenditures	13,394,723.00	13,394,723.00	13,957,645.00	13,760,033.37	197,611.63
(Deficiency) of revenues over expenditures	(2,490,817.00)	(2,490,817.00)	(2,526,744.00)	(2,480,155.36)	46,588.64
Other Sources (Uses) of Resources:					
Operating transfers from General Fund	1,678,467.00	1,678,467.00	1,678,467.00	1,678,467.00	0.00
Operating transfers from School Capital Projects	2,000.00	2,000.00	0.00	0.00	0.00
Total Other Sources of Resources	1,680,467.00	1,680,467.00	1,678,467.00	1,678,467.00	0.00
Excess (deficiency) of revenues over expenditures and other sources (uses)	(810,350.00)	(810,350.00)	(848,277.00)	(801,688.36)	46,588.64
Fund Balance, Beginning of Year	3,868,640.97	3,868,640.97	3,868,640.97	3,868,640.97	0.00
Fund Balance, End of Year	\$ 3,058,290.97	\$ 3,058,290.97	\$ 3,020,363.97	\$ 3,066,952.61	\$ 46,588.64

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Miscellaneous	\$ 43,700.00	\$ 43,700.00	\$ 45,700.00	\$ 47,864.61	\$ 2,164.61
Total Revenues	43,700.00	43,700.00	45,700.00	47,864.61	2,164.61
Expenditures:					
Current:					
General expenditures:					
Program related expenditures	1,601,441.00	1,601,441.00	1,601,441.00	12,704,273.29	(11,102,832.29)
Total Expenditures	1,601,441.00	1,601,441.00	1,601,441.00	12,704,273.29	(11,102,832.29)
Other Financing Sources (Uses):					
Transfers from other funds	1,557,741.00	1,557,741.00	1,557,741.00	12,702,413.29	11,144,672.29
Total Other Financing Sources	1,557,741.00	1,557,741.00	1,557,741.00	12,702,413.29	11,144,672.29
Excess (deficiency) of revenues and other financing					
sources over expenditures and other financing uses	0.00	0.00	2,000.00	46,004.61	44,004.61
Fund Balance, Beginning of year	2,108,681.94	2,108,681.94	2,108,681.94	2,108,681.94	0.00
Fund Balance, End of Year	\$ 2,108,681.94	\$ 2,108,681.94	\$ 2,110,681.94	\$ 2,154,686.55	\$ 44,004.61

The accompanying notes are an integral part of this statement.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manchester, Tennessee was incorporated in 1905. The City operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire protection), public school system, highways and streets, health and social services, recreation, public improvements, planning and zoning, general administrative services, and water and sewer services.

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

Reporting Entity

The City follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the City is financially accountable. The City has not identified any entities which would be component units.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointment.

The following organizations are related organizations which have not been included in the reporting entity.

Manchester Housing Authority - The Board and Director of the Authority are appointed by the Mayor and Aldermen, but the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority.

Manchester Arts Commission - The Board and Director of the Commission are appointed by the Mayor and Aldermen. The Arts Commission is a Tennessee Chartered Non Profit Corporation. Further, the City has no obligation for any debt issued by the Commission, nor can it impose its will upon the operations of the Commission.

Joint Venture

The City, in conjunction with the City of Tullahoma, appoints the Board of the Duck River Utility Commission (DRUC), which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six member board. Neither city has any other responsibility for the Commission. The City has no equity interest in the net resources of the Commission. Assets of the Utility are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the Utility. The Commission reported net position of \$2,067,763 and \$2,621,780 in 2014 and 2013, respectively. Complete financial statements of the Utility are available at the Finance Director's office at City Hall.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and the Statement of Activities) report information on all of the City's activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*. The effect of interfund activity has been removed from the government-wide financial statements.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due in the governmental fund financial statements.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The General Purpose School Fund is used to account for the primary activities of the schools of the City of Manchester.

The Debt Service Fund is used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than payable from the Enterprise Fund.

The government reports the following major proprietary fund:

The Water & Sewer Fund accounts for the water and wastewater services provided to customers of the system.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for water and sewer services. Operating expenses for the enterprise fund include the cost of water and sewer services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure (roads, bridges)	50 years
Buildings	25-50 years
Distribution systems	10-50 years
Equipment	3-10 years
Furniture and fixtures	3-10 years

Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget of the General Fund, Proprietary Funds, and Special Revenue Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Proprietary Funds is adopted under a basis consistent with GAAP, except that certain capital expenses and non-operating income and expense items are not considered. The City Recorder is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amended budgets for the Governmental Funds are represented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. All annual appropriations lapse at fiscal year-end.

Bonds Premiums/Discounts/Issuance Costs

In both Governmental Fund and Proprietary Fund types, bond discounts and issuance costs are recognized in the current period.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications. These classifications are comprised of a hierarchy which is established primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified certain inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain education monies as being restricted because their use is restricted by State Statute for education expenditures. Additionally, the City has classified drug fund monies as being restricted because their use is restricted by state statute for police investigative expenditures.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and Board of Aldermen. These amounts cannot be used for any other purpose unless the Mayor and Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that as employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2014.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Mayor and Board or Aldermen or through the Mayor and Board or Aldermen delegating this responsibility to the City Finance Director through the budgetary process. The City has classified monies relating to the General Purpose School Fund, Debt Service Fund, School Federal and State Projects Fund, School Capital Projects Fund, School Cafeteria Fund, Recreation Fund, Sanitation Fund, Tourism Fund, and Community Policing Fund as being assigned.

Unassigned: This classification includes the residual fund balance for the General Fund.

The City would typically use Restricted fund balance first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to deter the use of these other classified funds.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – CASH AND CASH EQUIVALENTS

The City is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2014, the City invested in short-term certificates of deposit, savings accounts and other money market accounts.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires that deposits be secured and collateralized by the institutions at 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository. At June 30, 2014, deposits were not exposed to custodial risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

NOTE 3 – RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Significant business-type receivables include amounts due from customers primarily for utility services. These receivables are due within thirty days. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Customer utility accounts receivable and customer accounts receivable at the recreation center are presented net of an allowance for uncollectible accounts.

Delinquent taxes receivable have been included in the combined balance sheet with offsetting deferred revenue to reflect amounts which were not available at June 30, 2014. Amounts, which were available at June 30, 2014, have been recorded as revenue.

Accounts receivable and the related allowance for doubtful accounts at June 30, 2014 are as follows:

<u>Fund Type</u>	<u>Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
Governmental Funds	\$ 7,754,581.98	\$ (55,000.00)	\$ 7,699,581.98
Proprietary Funds	568,941.50	(22,000.00)	546,941.50
Total	<u>\$ 8,323,523.48</u>	<u>\$ (77,000.00)</u>	<u>\$ 8,246,523.48</u>

NOTE 4 - INVENTORIES

Inventory of the Water and Sewer Funds, principally materials, supplies, and replacement parts, is valued at the lower of cost, first-in, first-out, or market.

Inventory of the School Cafeteria fund consists of food and supplies and is valued at cost and recorded using the purchase and consumption methods for fund and governmental activities statement presentation, respectively.

Inventory of the General fund, principally materials and gasoline, is valued at cost and recorded as an expenditure at the time individual inventory items are purchased.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – CAPITAL ASSETS

Governmental Activities

A summary of Governmental Funds property, plant and equipment as of June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Adjustments/ Disposals	Balance June 30, 2014
Nondepreciable capital assets:				
Land	\$ 4,396,423.58	\$ 0.00	\$ 0.00	\$ 4,396,423.58
Construction in Progress	<u>645,986.61</u>	<u>952,488.60</u>	<u>(589,900.12)</u>	<u>1,008,575.09</u>
	<u>5,042,410.19</u>	<u>952,488.60</u>	<u>(589,900.12)</u>	<u>5,404,998.67</u>
Depreciable capital assets:				
Building and improvements	27,472,613.21	0.00	0.00	27,472,613.21
Infrastructure	23,602,083.70	153,195.00	0.00	23,755,278.70
Equipment	2,596,862.30	76,472.50	(550,692.96)	2,122,641.84
Vehicles	<u>2,950,989.11</u>	<u>1,276,602.00</u>	<u>(115,556.94)</u>	<u>4,112,034.17</u>
	<u>56,622,548.32</u>	<u>1,506,269.50</u>	<u>(666,249.90)</u>	<u>57,462,567.92</u>
Total capital assets	<u>61,664,958.51</u>	<u>2,458,758.10</u>	<u>(1,256,150.02)</u>	<u>62,867,566.59</u>
Accumulated depreciation:				
Building and improvements	(10,573,765.56)	(799,008.78)	0.00	(11,372,774.34)
Infrastructure	(17,251,245.86)	(316,941.13)	0.00	(17,568,186.99)
Equipment	(1,845,236.44)	(153,797.73)	437,820.65	(1,561,213.52)
Vehicles	<u>(2,237,185.90)</u>	<u>(231,279.09)</u>	<u>96,891.63</u>	<u>(2,371,573.36)</u>
Total accumulated depreciation	<u>(31,907,433.76)</u>	<u>(1,501,026.73)</u>	<u>534,712.28</u>	<u>(32,873,748.21)</u>
Capital assets - net	<u>\$ 29,757,524.75</u>	<u>\$ 957,731.37</u>	<u>\$ (721,437.74)</u>	<u>\$ 29,993,818.38</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 322,788.04
Police Department	68,814.10
Fire Department	96,211.66
Highway and Streets	176,880.25
Parks & Recreation	273,400.82
Drug Fund	136,617.10
Sanitation Fund	22,729.33
Schools	<u>403,585.43</u>
Total	<u>\$ 1,501,026.73</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – CAPITAL ASSETS (continued)

Business-type Activities

A summary of Proprietary Fund property, plant and equipment as of June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Adjustments/ Disposals	Balance June 30, 2014
Nondepreciable capital assets:				
Land	\$ 210,937.04	\$ 0.00	\$ 0.00	\$ 210,937.04
Construction in Progress	<u>233,253.82</u>	<u>1,384,280.02</u>	<u>(2,000.00)</u>	<u>1,615,533.84</u>
	<u>444,190.86</u>	<u>1,384,280.02</u>	<u>(2,000.00)</u>	<u>1,826,470.88</u>
Depreciable capital assets:				
Building	407,200.98	0.00	0.00	407,200.98
Equipment	1,510,369.28	8,800.00	(297,637.00)	1,221,532.28
Utility plant	<u>47,340,094.50</u>	<u>720,259.70</u>	<u>(12,319.00)</u>	<u>48,048,035.20</u>
	<u>49,257,664.76</u>	<u>729,059.70</u>	<u>(309,956.00)</u>	<u>49,676,768.46</u>
Total capital assets	<u>49,701,855.62</u>	<u>2,113,339.72</u>	<u>(311,956.00)</u>	<u>51,503,239.34</u>
Less accumulated depreciation:				
Building	(253,567.09)	(6,467.34)	0.00	(260,034.43)
Equipment	(1,125,722.21)	(49,384.78)	147,058.55	(1,028,048.44)
Utility plant	<u>(14,253,505.48)</u>	<u>(1,309,284.52)</u>	<u>9,400.00</u>	<u>(15,553,390.00)</u>
Total accumulated depreciation	<u>(15,632,794.78)</u>	<u>(1,365,136.64)</u>	<u>156,458.55</u>	<u>(16,841,472.87)</u>
Capital assets - net	<u>\$ 34,069,060.84</u>	<u>\$ 748,203.08</u>	<u>\$ (155,497.45)</u>	<u>\$ 34,661,766.47</u>

During 2014, depreciation in the amount of \$1,365,136.64 was charged to operations.

NOTE 6 – COMPENSATED ABSENCES

City policy provides for the accumulation of unused vacation. Accumulated vacation and sick leave vest with the employee and may be taken, or paid to the employee upon termination or retirement.

For Governmental Fund accounting and reporting purposes, no amounts accrued at June 30, 2014 are expected to be liquidated with expendable available financial resources; accordingly, a liability is not recorded in the fund statements. Compensated absences are accrued when incurred in the governmental activities and proprietary fund financial statements.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG-TERM DEBT

Governmental Activities:

The following is a summary of changes in long-term debt during the 2014 fiscal year:

<u>Description of debt</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
General Obligation Debt:				
Local Government Public				
Improvement Bonds-Series Z-1-A, interest at 2% – 5.375%-General government portion	\$ 11,140,000.00	\$ 0.00	\$(11,140,000.00)	\$ 0.00
First Vision Bank Note	196,428.58	0.00	(39,285.71)	157,142.87
Coffee County Bank Note	197,054.57	0.00	(39,285.71)	157,768.86
General Obligation Refunding Bonds, Series 2010, interest at 4.53% – City Portion	10,605,000.00	0.00	(5,000.00)	10,600,000.00
General Obligation Refunding Bonds, Series 2013, interest at 1.25% - 3.5%	0.00	9,690,000.00	(100,000.00)	9,590,000.00
General Obligation Refunding Bonds, Series 2014, interest at 3% - 4% – General government portion	0.00	1,480,000.00	(360,000.00)	1,120,000.00
Local Government Public				
Improvement Bonds Series Z-4-A PBA Bonds	1,240,000.00	0.00	(110,000.00)	1,130,000.00
Sanitation Equipment Capital Outlay Notes, Series 2006	15,000.00	0.00	(15,000.00)	0.00
Less loss on refunding	<u>(95,844.76)</u>	<u>0.00</u>	<u>95,844.76</u>	<u>0.00</u>
Subtotal Bonds	23,297,638.39	11,170,000.00	(11,712,726.66)	22,754,911.73
Liability For Compensated Absences				
City	1,224,774.71	0.00	(19,373.14)	1,205,401.57
Schools	554,001.71	21,297.54	0.00	575,299.25
OPEB Obligation	<u>589,000.00</u>	<u>76,457.00</u>	<u>0.00</u>	<u>665,457.00</u>
Total Debt	<u>\$ 25,665,414.81</u>	<u>\$ 11,267,754.54</u>	<u>\$ (11,732,099.80)</u>	<u>\$ 25,201,069.55</u>

General Obligation Debt is secured by the City, which is obligated to levy taxes to the extent necessary to service this debt.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG-TERM DEBT

Governmental Activities:

The following is a summary of changes in long-term debt during the 2014 fiscal year:

<u>Description of debt</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
General Obligation Debt:				
Local Government Public				
Improvement Bonds-Series Z-1-A, interest at 2% – 5.375%-General government portion	\$ 11,140,000.00	\$ 0.00	\$(11,140,000.00)	\$ 0.00
First Vision Bank Note	196,428.58	0.00	(39,285.71)	157,142.87
Coffee County Bank Note	197,054.57	0.00	(39,285.71)	157,768.86
General Obligation Refunding Bonds, Series 2010, interest at 4.53% – City Portion	10,605,000.00	0.00	(5,000.00)	10,600,000.00
General Obligation Refunding Bonds, Series 2013, interest at 1.25% - 3.5%	0.00	9,690,000.00	(100,000.00)	9,590,000.00
General Obligation Refunding Bonds, Series 2014, interest at 3% - 4% – General government portion	0.00	1,480,000.00	(360,000.00)	1,120,000.00
Local Government Public				
Improvement Bonds Series Z-4-A PBA Bonds	1,240,000.00	0.00	(110,000.00)	1,130,000.00
Sanitation Equipment Capital Outlay Notes, Series 2006	15,000.00	0.00	(15,000.00)	0.00
Less loss on refunding	<u>(95,844.76)</u>	<u>0.00</u>	<u>95,844.76</u>	<u>0.00</u>
Subtotal Bonds	23,297,638.39	11,170,000.00	(11,712,726.66)	22,754,911.73
Liability For Compensated Absences				
City	1,224,774.71	0.00	(19,373.14)	1,205,401.57
Schools	554,001.71	21,297.54	0.00	575,299.25
OPEB Obligation	<u>589,000.00</u>	<u>76,457.00</u>	<u>0.00</u>	<u>665,457.00</u>
Total Debt	<u>\$ 25,665,414.81</u>	<u>\$ 11,267,754.54</u>	<u>\$ (11,732,099.80)</u>	<u>\$ 25,201,069.55</u>

General Obligation Debt is secured by the City, which is obligated to levy taxes to the extent necessary to service this debt.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG-TERM DEBT (continued)

Business Type Activities:

The following is a summary of changes in Water & Sewer long-term debt during the 2014 fiscal year:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Water and Sewer Fund</u>				
Water & Sewer Revenue & Tax Bonds:				
Less loss on refunding	\$ (170,036.58)	\$ 0.00	\$ 170,036.58	\$ 0.00
Local Government Public Improvement Bonds:				
Series Z-1-A, interest at 3-5.375%				
Water & Sewer portion	3,325,000.00	0.00	(3,325,000.00)	0.00
General Obligation Refunding Bonds, Series 2010, interest at 4.53% - Water and Sewer portion	5,565,000.00	0.00	(20,000.00)	5,545,000.00
Series Z-1-B, variable interest-DRUC portion	2,920,000.00	0.00	0.00	2,920,000.00
Public Building Authority of Coffee County, TN - Utility Revenue and Tax Bonds- Series 2006 – DRUC Portion	7,505,000.00	0.00	(290,000.00)	7,215,000.00
Water & Sewer Revenue & Tax Refunding Bonds – Series 2006	705,000.00	0.00	(15,000.00)	690,000.00
General Obligation Refunding Bonds, Series 2014, interest at 3 - 4% - Water and Sewer portion	0.00	3,120,000.00	(405,000.00)	2,715,000.00
SRF Loan Funding	5,674,837.00	0.00	(264,705.60)	5,410,131.40
ARRA Loan Funding	1,134,966.50	0.00	(52,940.40)	1,082,026.10
United States Department of Agriculture Note Payable 92-10, interest at 3%	1,315,376.59	0.00	(20,347.58)	1,295,029.01
United States Department of Agriculture Note Payable 91-08, interest at 3.25%	0.00	943,000.00	(470,241.86)	472,758.14
Tennessee Public Health State Loan	<u>4,170.05</u>	<u>0.00</u>	<u>(4,170.05)</u>	<u>0.00</u>
Subtotal Bonds	27,979,313.56	4,063,000.00	(4,697,368.91)	27,344,944.65
Liability for Compensated Absences	<u>258,222.85</u>	<u>2,994.93</u>	<u>0.00</u>	<u>261,217.78</u>
Total Debt	<u>\$ 28,237,536.41</u>	<u>4,065,994.93</u>	<u>(4,697,368.91)</u>	<u>\$ 27,606,162.43</u>

Revenues and tax bonds and Tennessee Public Health Loans are primarily obligations payable from Enterprise Fund revenues, but in the event of a deficiency, the full faith and credit of the City is irrevocably pledged.

Receivable from the Duck River Utility Commission (DRUC):

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG-TERM DEBT (continued)

The Local Government Public Improvement Bonds-Series Z-1-B-DRUC Portion and Public Building Authority of Coffee County, TN - Utility Revenue and tax Bonds-Series 2006 - DRUC were used by the Duck River Utility Commission to construct their facilities and improvements to utility plant through an agreement with the City of Tullahoma. As a result, DRUC is to be primarily responsible for the repayment of the loans. The receivable from DRUC at June 30, 2014, amounted to \$10,135,000.00.

A summary of annual bond debt service requirements at June 30, 2014 for General Obligations Debt, including bonds and capital outlay notes, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 628,571.42	\$ 851,690.22
2016	648,571.42	831,985.72
2017	673,571.42	811,493.68
2018	698,571.45	786,656.00
2019	670,626.02	766,733.82
2020-2024	3,655,000.00	3,572,003.78
2025-2029	4,370,000.00	3,030,287.54
2030-2034	5,700,000.00	2,186,553.76
2035-2038	<u>5,710,000.00</u>	<u>730,750.00</u>
Total	<u>\$ 22,754,911.73</u>	<u>\$ 13,568,154.52</u>

A summary of annual bond debt service requirements at June 30, 2014 for Water and Sewer Fund Debt, including bonds and loans, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	1,124,602.02	955,499.10
2016	1,162,611.32	921,892.42
2017	1,196,471.61	886,152.99
2018	1,235,543.42	845,301.10
2019	1,274,828.40	803,379.35
2020-2024	7,336,311.79	3,333,372.28
2025-2029	7,879,988.35	1,974,937.91
2030-2034	3,374,224.47	932,879.16
2035-2039	2,182,449.10	355,661.44
2040-2050	<u>577,914.17</u>	<u>87,905.92</u>
Total	<u>\$ 27,344,944.65</u>	<u>\$ 11,096,981.67</u>

NOTE 8 – INTERFUND TRANSACTIONS

Individual fund receivables and payables are attributed to charges between funds that are outstanding at June 30, 2014, and revenues collected by the Water & Sewer Fund to be paid to the Sanitation Fund. Interfund balances are expected to be paid during the following fiscal year.

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major Funds:		
General Fund	\$ 9,094.97	\$ 0.00
General Purpose School Fund	0.00	798.84
Water & Sewer Fund	0.00	104,427.54
Non-major Funds:		
Sanitation Fund	<u>96,131.41</u>	<u>0.00</u>
Total	<u>\$ 105,226.38</u>	<u>\$ 105,226.38</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 – FUND BALANCES AND NET POSITION

A summary of changes in fund balances follows:

	Beginning Fund Balance, as Restated July 1, 2013	Excess/(Deficit) of Revenues over Expenditures	Transfers/ Other Fund Balance Additions/ (Deletions)	Ending Fund Balance June 30, 2014
General Fund:				
Nonspendable	\$ 80,327.42	\$ (15,786.03)	\$ 0.00	\$ 64,541.39
Unassigned	<u>3,275,903.21</u>	<u>3,312,523.51</u>	<u>(3,581,987.00)</u>	<u>3,006,439.72</u>
Total General Fund	<u>\$ 3,356,230.63</u>	<u>\$ 3,296,737.48</u>	<u>\$ (3,581,987.00)</u>	<u>\$ 3,070,981.11</u>
General Purpose School Fund:				
Nonspendable	\$ 146,623.00	\$ (1,903.00)	\$ 0.00	\$ 144,720.00
Assigned	72,808.79	205,073.31	0.00	277,882.10
Unassigned	<u>3,649,209.18</u>	<u>(2,683,325.67)</u>	<u>1,678,467.00</u>	<u>2,644,350.51</u>
Total General Purpose School Fund	<u>\$ 3,868,640.97</u>	<u>\$ (2,480,155.36)</u>	<u>\$ 1,678,467.00</u>	<u>\$ 3,066,952.61</u>
Debt Service Fund:				
Assigned	<u>\$ 2,108,681.94</u>	<u>\$(12,656,408.68)</u>	<u>\$ 12,702,413.29</u>	<u>\$ 2,154,686.55</u>
Special Revenue Funds:				
School Federal and State Projects Fund:				
Restricted	\$ 45,685.31	\$ (37,101.69)	\$ 0.00	\$ 8,583.62
School Capital Projects Fund				
Assigned	476.68	0.00	0.00	476.68
School Cafeteria Fund				
Nonspendable	25,516.96	(2,082.75)	0.00	23,434.21
Assigned	209,278.17	(19,407.73)	0.00	189,870.44
Recreation Fund				
Assigned	17,419.92	(333,950.28)	396,477.67	79,947.31
Sanitation Fund				
Assigned	108,140.40	733.58	41,310.37	150,184.35
Drug Fund				
Restricted	441,522.91	29,542.46	0.00	471,065.37
Tourism Fund				
Assigned	231,891.21	(92,301.87)	112,387.00	251,976.34
Community Policing Fund				
Assigned	<u>44,647.60</u>	<u>(272.41)</u>	<u>7,000.00</u>	<u>51,375.19</u>
Total Special Revenue Funds	<u>\$ 1,124,579.16</u>	<u>\$ (454,840.69)</u>	<u>\$ 557,175.04</u>	<u>\$ 1,226,913.51</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 – FUND BALANCES AND NET POSITION (continued)

	Beginning Fund Balance, as Restated <u>July 1, 2013</u>	Excess/(Deficit) of Revenues over <u>Expenditures</u>	Transfers/ Other Fund Balance Additions/ <u>(Deletions)</u>	Ending Fund Balance <u>June 30, 2014</u>
Proprietary Funds:				
Water and Sewer Fund	<u>\$ 19,136,885.04</u>	<u>\$ 32,343.73</u>	<u>\$ 805,491.56</u>	<u>\$ 19,974,720.33</u>
Total Proprietary Funds	<u>\$ 19,136,885.04</u>	<u>\$ 32,343.73</u>	<u>\$ 805,491.56</u>	<u>\$ 19,974,720.33</u>

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are now classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Mayor and City Council ordinance or resolution.

Assigned – Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the Mayor and City Council.

Unassigned – All amounts not included in other spendable classifications.

As discussed in Note 1, Restricted funds are used first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to deter the use of these other classified funds.

NOTE 10 – RESTRICTED NET POSITION

The net position for the Drug Fund, School Cafeteria Fund, and certain school programs within the General Purpose School Fund have been restricted as they are only available for use within these two funds. As of June 30, 2014, the balances are as follows:

Drug Fund	\$ 471,065.37
School Cafeteria Fund	\$ 213,304.65
General Purpose School Fund	
BEP	\$ 203,173.00
ESP	\$ 69,668.27
We Care	\$ 5,040.83

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – DEFICIT FUND BALANCE AND EXPENDITURES IN EXCESS OF BUDGET

The official City budget for June 30, 2014, was prepared for adoption for the General and Special Revenue Funds by August 20, 2013. The budget was formerly adopted by the City Council after three readings at duly advertised public meetings. The final reading was passed as amended on June 30, 2014.

The Manchester's actual expenditures exceeded the amount appropriated in the final budget. This practice is contrary to state statutes, which require all expenditures of the general and special revenue funds be authorized by the governing body.

For 2014, the following fund/departments over expended budgetary fund balances as follows:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
School Cafeteria Fund	\$ 234,795.13	\$ 213,304.65	\$ (21,490.48)

NOTE 12 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property - Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$2.2999 per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$4,226,461.35 for the fiscal year ended June 30, 2014, were approximately 95 percent of the tax levy. During March of each tax year, delinquent taxes are turned over to the county for collection.

NOTE 13 – RETIREMENT PLANS

Tennessee Consolidated Retirement System (TCRS)

Plan Description

Employees of the City of Manchester are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13 – RETIREMENT PLANS (continued)

Tennessee Consolidated Retirement System (TCRS) (continued)

Plan Description

Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Manchester participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

City of Manchester requires employees to contribute 5.0 percent of earnable compensation.

City of Manchester is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 5.25% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of Manchester is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, the City of Manchester's annual pension cost of \$236,299 to TCRS was equal to City of Manchester's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. City of Manchester's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 18 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$236,299	100.00%	\$0.00
June 30, 2013	\$224,346	100.00%	\$0.00
June 30, 2012	\$266,630	100.00%	\$0.00

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13 – RETIREMENT PLANS (continued)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 96.10 percent funded. The actuarial accrued liability for benefits was \$2.37 million, and the actuarial value of assets was \$2.28 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.09 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.24 million, and the ratio of the UAAL to the covered payroll was 2.18 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for the benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 2,277	\$ 2,369	\$ 92	96.10%	\$4,235	2.18%
July 1, 2011	\$ 1,186	\$ 1,362	\$ 175	87.11%	\$3,746	4.69%
July 1, 2009	\$ 119	\$ 253	\$ 134	47.14%	\$2,898	4.62%

Manchester City Schools

The Manchester City Schools contribute to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State Statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHIEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13 – RETIREMENT PLANS (continued)

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Manchester City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88 percent of annual covered payroll. The employer contribution requirement for Manchester City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012 were \$614,927, \$570,011, and \$562,944, respectively, which were equal to the required contributions for each year.

Manchester Public Employee Retirement System (MPERS)

Any employee participating in the City of Manchester Retirement Plan who was a member of the Plan prior to July 1, 2002, or who was hired between July 1, 2001 and July 1, 2002 and elects to join the Plan at the first available enrollment, and any employee of the Manchester City School Board, shall be permitted to contribute as before, and the City will contribute to match the employee's one (1%) percent contribution with a seven (7%) percent city contribution.

Any person, other than employees of the Manchester City School Board, who began employment with the City of Manchester on or after July 1, 2002, or any current employee who was hired between July 1, 2001 and July 1, 2002 who does not elect to join the Plan at the first available enrollment, or any employee not presently in the Retirement Plan, or who re-joins the Plan after having stopped contributing to it, shall be limited to a City contribution equal to the employee's contribution, up to the maximum City contribution set by the fiscal year Budget Ordinance.

Deferred Compensation Plan

Upon employment, employees of the City of Manchester, Tennessee are eligible to contribute up to \$16,500.00 (as well as an additional \$5,500.00 if over the age of 50) to a 457(b)(6) deferred compensation plan. The City does not match any contributions to this plan.

Other Post Employment Benefit Plan

After 30 years of service, TCRS members are eligible for retirement. If the retiree is not eligible for Medicare, the state of Tennessee will pay 45% of the retiree's single premium payment and the City will cover the remaining 55% until the retiree meets eligibility requirements. This post employment benefit plan only applies to qualified employees of the Manchester City Schools.

NOTE 14 – POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The State of Tennessee administers and participates in the Employee Group Plan and the Medicare Supplement Plan for retired employees' healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the state plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 – POST-EMPLOYMENT HEALTHCARE PLAN (continued)

Special Funding Situation

The state is legally responsible for contributions to the Teacher Group and Medicare Supplement Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired higher education and local education agency (LEA) teachers in the plans. The state is not the sole employer for the LEA employees since some of these agencies provide additional direct subsidies and all provide implicit subsidies. However, the state is the sole contributor for the vast majority of higher education teachers that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.

Annual OPEB Cost and Net OPEB Obligation – Primary Government
(Dollars in thousands)

	Employee Group Plan	Teacher Group Plan (State Share)	Medicare Supplement Plan State	Teachers
Annual required contribution	\$ 81,207	\$ 30,355	\$ 11,381	\$ 9,207
Interest on the net OPEB obligation	15,881	1,829	2,596	1,693
Adjustment to the ARC	(15,472)	(1,781)	(2,529)	(1,649)
Annual OPEB cost	81,616	30,403	11,448	9,251
Amount of Contribution	(39,300)	(17,947)	(5,541)	(5,058)
Increase in net OPEB Obligation	42,316	12,456	5,907	4,193
Net OPEB obligation-beginning of year	397,024	45,715	64,891	42,314
Net OPEB obligation-end of year	\$ 439,340	\$ 58,171	\$ 70,798	\$ 46,507

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
06/30/2012	Employee Group	\$ 97,048	47%	\$ 340,296
06/30/2013	Employee Group	98,166	42%	397,024
06/30/2014	Employee Group	81,616	48%	439,340
06/30/2012	Teacher Group (State)	22,545	77%	33,195
06/30/2013	Teacher Group (State)	23,725	73%	39,688
06/30/2014	Teacher Group (State)	30,403	59%	58,171

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 – POST-EMPLOYMENT HEALTHCARE PLAN (continued)

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
06/30/2012	Medicare Supp (State)	15,912	33%	41,977
06/30/2013	Medicare Supp (State)	16,381	28%	53,825
06/30/2014	Medicare Supp (State)	11,448	48%	70,798
06/30/2012	Medicare Supp (Teachers)	11,780	34%	28,622
06/30/2013	Medicare Supp (Teachers)	11,941	44%	35,255
06/30/2014	Medicare Supp (Teachers)	9,251	55%	46,507

Annual OPEB Cost and Net OPEB Obligation – Component Units
(Dollars in thousands)

	<u>Employee Group Plan</u>	<u>Local Government Group Plan</u>
Annual required contribution	\$ 41,433	\$ 144
Interest on the net OPEB obligation	7,380	24
Adjustment to the ARC	(7,190)	(23)
Annual OPEB cost	41,623	145
Amount of Contribution	0	(105)
Increase in net OPEB Obligation	41,623	40
Net OPEB obligation-beginning of year	184,494	527
Net OPEB obligation-end of year	<u>\$ 226,117</u>	<u>\$ 567</u>

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
06/30/2012	Employee Group	\$ 49,575	67%	\$ 166,667
06/30/2013	Employee Group	50,084	64%	184,494
06/30/2014	Employee Group	41,623	0%	226,117
06/30/2012	Local Government Group	215	26%	374
06/30/2013	Local Government Group	121	26%	464
06/30/2014	Local Government Group	145	72%	567

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows (dollars in thousands):

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 – POST-EMPLOYMENT HEALTHCARE PLAN (continued)

Primary Government

	Employee Group Plan	Teacher Group Plan (State Share)	Medicare Supplement Plan State	Teachers
Actuarial valuation date	7/1/2013	7/1/2013	7/1/2013	7/1/2013
Actuarial accrued liability (AAL)	\$ 855,642	\$ 216,600	\$ 154,051	\$ 137,317
Actuarial value of plan assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 855,642</u>	<u>\$ 216,600</u>	<u>\$ 154,051</u>	<u>\$ 137,317</u>
Actuarial value of assets as a % of the AAL	0	0	0	0
Covered payroll (active plan members)	1,613,128	N/A	N/A	N/A
Net OPEB obligation-beginning of year	53%	N/A	N/A	N/A

Covered payroll is N/A for the Teacher Group as the state does not have any payroll information for the participants. The state is assuming a liability because of a special funding situation that exists between the state and the Teacher Group Plan. Covered payroll for the Medicare Supplement plan is N/A as this plan only has retirees enrolled.

	Employee Group Plan	Local Government Group Plan
Actuarial valuation date	7/1/2013	7/1/2013
Actuarial accrued liability (AAL)	\$ 369,470	\$ 1,400
Actuarial value of plan assets	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>369,470</u>	<u>1,400</u>
Actuarial value of assets as a % of the AAL	0	0
Covered payroll (active plan members)	\$ 1,445,364	\$ 8,773
UAAL as a percentage of covered payroll	26%	16%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for each plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially for the Employee Group, Local Government and the Local Education plans. The rate decreases to 7 percent in fiscal year 2015 and then will reduce by decrements to an ultimate rate of 4.7 percent in fiscal year 2044. All rates include a 2.5 percent inflation assumption. The cost trend in the Medicare Supplement plan is 2 percent initially. The rate increases to 6 percent in fiscal year 2015 and decreases incrementally to 4.2 percent in fiscal year 2044. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 15 – CONTINGENT LIABILITIES AND COMMITMENTS

Litigation and Contingency

There were several pending lawsuits in which the City was involved, as well as certain unasserted claims and assessments, which appear probable of assertion. The City attorney is unable, at this time, to determine the probable outcome of such litigation; however, City officials do not believe the eventual outcome will materially affect the financial condition of the City.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the Federal government. Any disallowed claims, including amounts already collected, could become a liability of applicable funds.

Agreement with Tennessee Valley Authority

The City and four other water and sewer systems in the Upper Duck River area entered into agreement with the Tennessee Valley Authority whereby the City's water system is obligated to pay monthly to TVA five cents per 1,000 gallons of water sold during the preceding month.

Contracts

During the year, the Water & Sewer Fund had \$1,615,533.84 in construction in progress from various projects relative to the water and sewer plant. The Governmental Funds reported \$688,699.27 from the Tourism Fund, which continued construction on their downtown renovation project and \$319,875.82 from the Recreation Fund, which started construction on their soccer complex and greenway extension during the fiscal year.

NOTE 16 – RISK MANAGEMENT

The City of Manchester is exposed to various risks to general liability and property and casualty losses. The City deemed it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty and workman's compensation coverage. The City participates in the Tennessee Risk Management Trust (TRMT). The City pays an annual premium to the TRMT for its general liability and casualty insurance coverage.

NOTE 17 – RESTATEMENT

During 2014, certain matters were noted which required restatement of the prior year. During the current fiscal year, the City conducted a thorough review of fixed assets, resulting in a restatement in the net position of the Governmental Activities in the amount of (\$589,430.50). The Net Position of the Governmental Activities and the Fund Balance of the School Federal and State Projects Fund were restated to record corrected beginning restricted balances of \$32,355.33. The beginning net position of the Governmental Activities and Business-type Activities has been restated by (\$95,844.76) and (\$165,781.60), respectively, to record the change in accounting principle as described in Note 18. Additionally, the City restated their accrued payables balance in the Water and Sewer Fund by \$91,303.38 to account for payables which were paid in prior fiscal years. Finally, the City restated their balance in unbilled revenue by (\$59,313.35) in the Water and Sewer Fund to account for revenues which should have been booked in prior fiscal years.

CITY OF MANCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 17 – RESTATEMENT (continued)

	<u>Governmental Activities</u>
Net position - beginning of year, as previously reported	\$ 14,486,761.09
Restatements, as discussed above	<u>(652,919.93)</u>
Net position - beginning of year as restated	<u>\$ 13,833,841.16</u>
	<u>Business-type Activities</u>
Net position - beginning of year, as previously reported	\$ 19,270,676.61
Restatements, as discussed above	<u>(133,791.57)</u>
Net position - beginning of year as restated	<u>\$ 19,136,885.04</u>
	<u>School Federal And State Projects Fund</u>
Fund balance - beginning of year, as previously reported	\$ 13,329.98
Restatements, as discussed above	<u>32,355.33</u>
Fund balance - beginning of year as restated	<u>\$ 45,685.31</u>

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

During the audit period, the City implemented *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, which applies to the loss on refunding and bond issuance costs reported by the City in previous years.

As a result of implementing *GASB No. 65*, the City has restated previously reported net position of Governmental Activities and Business-type Activities for (\$95,844.76) and (\$165,781.60), respectively, as shown in Note 17.

NOTE 19 – REVISION

Subsequent activities revealed that donations originally reported in the Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances – Non-Governmental Funds (which also has an effect on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds) and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Drug Fund were held for use in general government operations, causing revenues and expenditures to be materially overstated. While this event did not result in changes to originally reported fund balances, the Audit Report issued on March 30, 2015 has been revised to more accurately report activity relating to these donations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
June 30, 2014

SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF MANCHESTER – (TCRS)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 2,277	\$ 2,369	\$ 92	96.10%	\$ 4,235	2.18%
July 1, 2011	\$ 1,186	\$ 1,362	\$ 175	87.11%	\$ 3,746	4.69%
July 1, 2009	\$ 119	\$ 253	\$ 134	47.14%	\$ 2,898	4.62%

SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF MANCHESTER – (OPEB)

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ 0	\$ 1,000	\$ 1,000	0.00%	\$ 8,306	12.04%
July 1, 2011	\$ 0	\$ 1,863	\$ 1,863	0.00%	\$ 8,476	21.98%
July 1, 2013	\$ 0	\$ 1,400	\$ 1,400	0.00%	\$ 8,773	16.00%

See Accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

School Federal and State Project Fund - To account for the various federal and state grant programs administered by the School System.

School Cafeteria Fund - To account for the cafeteria operation of the City School System.

School Capital Projects Fund – To account for the financial resources to be used for the acquisition or construction of fixed assets pertaining to the schools.

Recreation Fund - To account for the various revenues and expenditures of the City's Parks and Recreation Department.

Sanitation Fund - To account for the receipts from garbage collection fees and expenses related to the City's sanitation department.

Drug Fund - To account for drug fines received and usage of those monies to further drug investigations.

Tourism Fund - To account for the financial activities of the City's tourism program.

Community Policing Fund - To account for funds restricted for various police projects and purposes.

CITY OF MANCHESTER, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	School Federal & State Projects Fund	School Capital Projects Fund	School Cafeteria Fund	Recreation Fund	Sanitation Fund	Drug Fund	Tourism Fund	Community Policing Fund	Total
Assets									
Cash:	\$ 5,005.69	\$ 476.68	\$ 169,213.63	\$ 4,090.29	\$ 103,649.59	\$ 473,297.12	\$ 43,949.24	\$ 52,338.84	\$ 852,021.08
Receivables, less allowance for doubtful accounts	52,543.76	0.00	22,232.56	276,186.83	0.00	0.00	373,341.47	0.00	724,304.62
Due from other funds	0.00	0.00	0.00	0.00	96,131.41	0.00	0.00	0.00	96,131.41
Inventories	0.00	0.00	23,434.21	0.00	0.00	0.00	0.00	0.00	23,434.21
Total Assets	<u>\$ 57,549.45</u>	<u>\$ 476.68</u>	<u>\$ 214,880.40</u>	<u>\$ 280,277.12</u>	<u>\$ 199,781.00</u>	<u>\$ 473,297.12</u>	<u>\$ 417,290.71</u>	<u>\$ 52,338.84</u>	<u>\$ 1,695,891.32</u>
Liabilities:									
Accounts payable	\$ 549.66	\$ 0.00	\$ 1,575.75	\$ 90,371.94	\$ 49,596.65	\$ 2,231.75	\$ 165,314.37	\$ 963.65	\$ 310,603.77
Accrued costs	48,416.17	0.00	0.00	46,668.20	0.00	0.00	0.00	0.00	95,084.37
Deferred revenue	0.00	0.00	0.00	63,289.67	0.00	0.00	0.00	0.00	63,289.67
Total Liabilities	<u>48,965.83</u>	<u>0.00</u>	<u>1,575.75</u>	<u>200,329.81</u>	<u>49,596.65</u>	<u>2,231.75</u>	<u>165,314.37</u>	<u>963.65</u>	<u>468,977.81</u>
Fund balance:									
Nonspendable	0.00	0.00	23,434.21	0.00	0.00	0.00	0.00	0.00	23,434.21
Restricted	8,583.62	0.00	0.00	0.00	0.00	471,065.37	0.00	0.00	479,648.99
Assigned	0.00	476.68	189,870.44	79,947.31	150,184.35	0.00	251,976.34	51,375.19	723,830.31
Total Fund Balance	<u>8,583.62</u>	<u>476.68</u>	<u>213,304.65</u>	<u>79,947.31</u>	<u>150,184.35</u>	<u>471,065.37</u>	<u>251,976.34</u>	<u>51,375.19</u>	<u>1,226,913.51</u>
Total Liabilities and Fund Balance	<u>\$ 57,549.45</u>	<u>\$ 476.68</u>	<u>\$ 214,880.40</u>	<u>\$ 280,277.12</u>	<u>\$ 199,781.00</u>	<u>\$ 473,297.12</u>	<u>\$ 417,290.71</u>	<u>\$ 52,338.84</u>	<u>\$ 1,695,891.32</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	School Federal & State Projects Fund	School Capital Projects Fund	School Cafeteria Fund	Recreation Fund	Sanitation Fund	Drug Fund	Tourism Fund	Community Policing Fund	Total
Revenues:									
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 158,105.34	\$ 0.00	\$ 0.00	\$ 79,052.63	\$ 0.00	\$ 237,157.97
Charges for services	0.00	0.00	205,260.57	1,090,818.60	991,312.32	0.00	0.00	0.00	2,287,391.49
Intergovernmental	881,050.70	0.00	575,396.22	0.00	0.00	5,000.00	507,718.73	0.00	1,969,165.65
Investment earnings	0.00	0.00	210.58	0.00	0.00	0.00	0.00	0.00	210.58
Miscellaneous	0.00	0.00	1,000.00	414,183.53	0.00	197,146.92	0.00	32,604.96	644,935.41
Total Revenues	881,050.70	0.00	781,867.37	1,663,107.47	991,312.32	202,146.92	586,771.36	32,604.96	5,138,861.10
Expenditures:									
Current:									
Education:									
Program costs	918,152.39	0.00	803,357.85	0.00	0.00	0.00	0.00	0.00	1,721,510.24
Sanitation:									
Salaries	0.00	0.00	0.00	0.00	296,298.36	0.00	0.00	0.00	296,298.36
Waste disposal charges	0.00	0.00	0.00	0.00	594,200.12	0.00	0.00	0.00	594,200.12
Other current operating	0.00	0.00	0.00	0.00	100,080.26	0.00	0.00	0.00	100,080.26
Recreation:									
Salaries	0.00	0.00	0.00	929,130.65	0.00	0.00	0.00	0.00	929,130.65
Other current operating	0.00	0.00	0.00	709,624.78	0.00	0.00	0.00	0.00	709,624.78
General expenditures:									
Program related expenditures	0.00	0.00	0.00	0.00	0.00	101,943.46	46,460.45	32,877.37	181,281.28
Capital outlay	0.00	0.00	0.00	358,302.32	0.00	70,661.00	632,612.78	0.00	1,061,576.10
Total Expenditures	918,152.39	0.00	803,357.85	1,997,057.75	990,578.74	172,604.46	679,073.23	32,877.37	5,593,701.79
Excess (deficiency) of revenues over expenditures	(37,101.69)	0.00	(21,490.48)	(333,950.28)	733.58	29,542.46	(92,301.87)	(272.41)	(454,840.69)
Other Financing Sources (Uses):									
Operating transfers from other funds	0.00	0.00	0.00	489,000.00	57,000.00	0.00	126,387.00	7,000.00	679,387.00
Operating transfers to other funds	0.00	0.00	0.00	(92,522.33)	(15,689.63)	0.00	(14,000.00)	0.00	(122,211.96)
Total Other Financing Sources (Uses)	0.00	0.00	0.00	396,477.67	41,310.37	0.00	112,387.00	7,000.00	557,175.04
Excess (deficiency) of revenues over expenditures	(37,101.69)	0.00	(21,490.48)	62,527.39	42,043.95	29,542.46	20,085.13	6,727.59	102,334.35
Fund Balance, beginning of year, as previously reported	13,329.98	476.68	234,795.13	17,419.92	108,140.40	441,522.91	231,891.21	44,647.60	1,092,223.83
Restatement (Note 17)	32,355.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32,355.33
Fund Balance, beginning of year, as restated	45,685.31	476.68	234,795.13	17,419.92	108,140.40	441,522.91	231,891.21	44,647.60	1,124,579.16
Fund Balance, End of Year	\$ 8,583.62	\$ 476.68	\$ 213,304.65	\$ 79,947.31	\$ 150,184.35	\$ 471,065.37	\$ 251,976.34	\$ 51,375.19	\$ 1,226,913.51

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

NOTES TO BUDGET

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the City Finance Director submits to the Mayor and Aldermen a proposed operating budget for the forthcoming fiscal year commencing July 1.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through action by the Mayor and Aldermen. For budgetary control purposes, control is established at the department level. In no event shall the total appropriations for any fund included in the budget exceed the estimated revenues and unappropriated fund balance of that fund.
4. The City Finance Director is authorized to transfer appropriations within departments of a fund. Approval of the Mayor and Aldermen is required to amend departmental and/or total appropriations of any fund. All unexpected appropriations lapse into the fund balance of the related fund at the end of the fiscal year.
5. Budgets for governmental fund types (General Fund and Special Revenue Funds) are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted and as amended by the Board.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
SCHOOL FEDERAL AND STATE PROJECTS FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget Positive (Negative)
Revenues:					
Intergovernmental					
Revenues	\$ 817,321.85	\$ 1,022,559.94	\$ 1,022,559.94	\$ 881,050.70	\$ (141,509.24)
Total Revenues	817,321.85	1,022,559.94	1,022,559.94	881,050.70	(141,509.24)
Expenditures:					
Current:					
Education:					
Program costs:					
Teachers	242,999.05	246,110.38	246,110.38	247,025.30	(914.92)
Educational assistance	274,845.00	274,845.00	274,845.00	252,028.25	22,816.75
Other salaries	79,131.00	79,131.00	79,131.00	78,276.18	854.82
Benefits	260,639.00	261,550.00	261,550.00	228,468.20	33,081.80
Instructional supplies and materials	180,093.23	187,861.39	187,861.39	65,063.69	122,797.70
In-service and staff development	60,779.48	51,231.48	51,231.48	47,290.77	3,940.71
Capital outlay	7,504.00	14,055.84	14,055.84	0.00	14,055.84
Total Expenditures	1,105,990.76	1,114,785.09	1,114,785.09	918,152.39	196,632.70
Excess (deficiency) of revenues over expenditures	(288,668.91)	(92,225.15)	(92,225.15)	(37,101.69)	55,123.46
Other Sources of Resources:					
Transfers	0.00	40,930.84	40,930.84	0.00	(40,930.84)
Total Other (Uses) of Resources	0.00	40,930.84	40,930.84	0.00	(40,930.84)
Excess (deficiency) of revenues over expenditures and other sources (uses)	(288,668.91)	(51,294.31)	(51,294.31)	(37,101.69)	14,192.62
Fund Balance, beginning of year, as previously reported	13,329.98	13,329.98	13,329.98	13,329.98	0.00
Restatement	0.00	0.00	0.00	32,355.33	32,355.33
Fund Balance, beginning of year, as restated	13,329.98	13,329.98	13,329.98	45,685.31	32,355.33
Fund Balance, End of Year	\$ (275,338.93)	\$ (37,964.33)	\$ (37,964.33)	\$ 8,583.62	\$ 46,547.95

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
SCHOOL CAPITAL PROJECTS FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Grants	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Revenues	0.00	0.00	0.00	0.00	0.00
Expenditures:					
Current:					
General expenditures:					
Program related expenditures	0.00	0.00	0.00	0.00	0.00
Total Expenditures	0.00	0.00	0.00	0.00	0.00
Excess (deficiency) of revenues over expenditures	0.00	0.00	0.00	0.00	0.00
Fund Balance, Beginning of Year	476.68	476.68	476.68	476.68	0.00
Fund Balance, End of Year	<u>\$ 476.68</u>	<u>\$ 476.68</u>	<u>\$ 476.68</u>	<u>\$ 476.68</u>	<u>\$ 0.00</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
SCHOOL CAFETERIA FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget Positive (Negative)
Revenues:					
Intergovernmental:					
USDA	\$ 533,500.00	\$ 533,500.00	\$ 533,500.00	\$ 575,396.22	\$ 41,896.22
State matching	8,400.00	8,400.00	8,400.00	8,035.00	(365.00)
Charges for services:					
Student lunches	154,000.00	154,000.00	154,000.00	118,510.18	(35,489.82)
Student breakfast	12,500.00	12,500.00	12,500.00	11,286.88	(1,213.12)
Adult lunches	20,500.00	20,500.00	20,500.00	15,794.91	(4,705.09)
A la carte meals	54,000.00	54,000.00	54,000.00	51,633.60	(2,366.40)
Miscellaneous	4,500.00	4,500.00	4,500.00	1,000.00	(3,500.00)
Uses of money and property - interest income	240.00	240.00	240.00	210.58	(29.42)
Total Revenues	<u>787,640.00</u>	<u>787,640.00</u>	<u>787,640.00</u>	<u>781,867.37</u>	<u>(5,772.63)</u>
Expenditures:					
Current:					
Program costs:					
Food Service:					
Food	291,270.56	291,270.56	291,270.56	336,653.19	(45,382.63)
Labor	296,902.01	296,902.01	296,902.01	290,405.33	6,496.68
Fringe benefits	134,878.91	134,878.91	134,878.91	123,792.07	11,086.84
Supplies	31,279.36	31,279.36	31,279.36	29,962.15	1,317.21
Transportation	398.10	398.10	398.10	398.10	0.00
Other	32,911.06	32,911.06	32,911.06	22,147.01	10,764.05
Total Expenditures	<u>787,640.00</u>	<u>787,640.00</u>	<u>787,640.00</u>	<u>803,357.85</u>	<u>(15,717.85)</u>
Excess (deficiency) of revenues over expenditures	0.00	0.00	0.00	(21,490.48)	(21,490.48)
Fund Balance, Beginning of Year	<u>234,795.13</u>	<u>234,795.13</u>	<u>234,795.13</u>	<u>234,795.13</u>	<u>0.00</u>
Fund Balance, End of Year	<u>\$ 234,795.13</u>	<u>\$ 234,795.13</u>	<u>\$ 234,795.13</u>	<u>\$ 213,304.65</u>	<u>\$ (21,490.48)</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
RECREATION FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Intergovernmental					
Room occupancy tax	\$ 145,000.00	\$ 145,000.00	\$ 145,000.00	\$ 158,105.34	\$ 13,105.34
Grants	350,000.00	545,000.00	554,775.00	398,087.56	(156,687.44)
Charges for service:					
Membership fees and dues	814,000.00	814,000.00	814,000.00	757,533.68	(56,466.32)
Concessions	200,000.00	200,000.00	200,000.00	157,260.17	(42,739.83)
Activity fees and charges	188,500.00	188,500.00	188,500.00	176,024.75	(12,475.25)
Miscellaneous	8,000.00	10,100.00	14,900.00	16,095.97	1,195.97
Total Revenues	1,705,500.00	1,902,600.00	1,917,175.00	1,663,107.47	(254,067.53)
Expenditures:					
Current:					
Salaries and employee benefits	931,117.00	931,366.00	937,327.00	929,130.65	8,196.35
Contract services	396,000.00	396,400.00	407,400.00	355,578.34	51,821.66
Supplies	127,500.00	127,500.00	127,500.00	106,563.88	20,936.12
Other	249,331.00	446,504.00	457,204.00	230,823.26	226,380.74
Capital outlay	371,000.00	371,000.00	371,000.00	374,961.62	(3,961.62)
Total Expenditures	2,074,948.00	2,272,770.00	2,300,431.00	1,997,057.75	303,373.25
Excess (deficiency) of revenues over expenditures	(369,448.00)	(370,170.00)	(383,256.00)	(333,950.28)	49,305.72
Other Sources of Resources:					
Transfer to Debt Service Fund	(95,478.00)	(95,478.00)	(95,478.00)	(92,522.33)	2,955.67
Operating transfers from Tourism Fund	0.00	0.00	0.00	14,000.00	14,000.00
Operating transfers from General Fund	475,000.00	475,000.00	475,000.00	475,000.00	0.00
Total Other Sources (Uses) of Resources	379,522.00	379,522.00	379,522.00	396,477.67	16,955.67
Excess (deficiency) of revenues over expenditures and other sources (uses)	10,074.00	9,352.00	(3,734.00)	62,527.39	66,261.39
Fund Balance, Beginning of Year	17,419.92	17,419.92	17,419.92	17,419.92	0.00
Fund Balance, End of Year	\$ 27,493.92	\$ 26,771.92	\$ 13,685.92	\$ 79,947.31	\$ 66,261.39

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
SANITATION FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget Positive (Negative)
Revenues:					
Charges for services:					
Garbage fee	\$ 932,200.00	\$ 935,200.00	\$ 945,200.00	\$ 991,312.32	\$ 46,112.32
Total Revenues	<u>932,200.00</u>	<u>935,200.00</u>	<u>945,200.00</u>	<u>991,312.32</u>	<u>46,112.32</u>
Expenditures:					
Current:					
Salaries and employee benefits	337,971.00	337,971.00	337,971.00	296,298.36	41,672.64
Waste disposal charges	529,414.00	529,414.00	529,414.00	594,200.12	(64,786.12)
Other current operating	119,500.00	119,500.00	118,300.00	100,080.26	18,219.74
Total Expenditures	<u>986,885.00</u>	<u>986,885.00</u>	<u>985,685.00</u>	<u>990,578.74</u>	<u>(4,893.74)</u>
Excess (deficiency) of revenues over expenditures	<u>(54,685.00)</u>	<u>(51,685.00)</u>	<u>(40,485.00)</u>	<u>733.58</u>	<u>41,218.58</u>
Other Financing Sources (Uses):					
Transfer to Debt Service Fund	(15,696.00)	(15,696.00)	(15,696.00)	(15,689.63)	6.37
Operating transfers from General Fund	57,000.00	57,000.00	57,000.00	57,000.00	0.00
Total Other Financing Sources	<u>41,304.00</u>	<u>41,304.00</u>	<u>41,304.00</u>	<u>41,310.37</u>	<u>6.37</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(13,381.00)</u>	<u>(10,381.00)</u>	<u>819.00</u>	<u>42,043.95</u>	<u>41,224.95</u>
Fund Balance, Beginning of year	<u>108,140.40</u>	<u>108,140.40</u>	<u>108,140.40</u>	<u>108,140.40</u>	<u>108,140.40</u>
Fund Balance, End of Year	<u>\$ 94,759.40</u>	<u>\$ 97,759.40</u>	<u>\$ 108,959.40</u>	<u>\$ 150,184.35</u>	<u>\$ 149,365.35</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
DRUG FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Miscellaneous:					
Program revenue	\$ 205,000.00	\$ 235,000.00	\$ 220,000.00	\$ 202,146.92	\$ (17,853.08)
Total Revenues	205,000.00	235,000.00	220,000.00	202,146.92	(17,853.08)
Expenditures:					
Current:					
General expenditures:					
Salaries and employee benefits	23,000.00	23,000.00	38,420.00	0.00	38,420.00
Drug related	82,500.00	82,850.00	89,350.00	96,776.15	(7,426.15)
Capital outlay	102,500.00	102,500.00	102,500.00	75,828.31	26,671.69
Total Expenditures	208,000.00	208,350.00	230,270.00	172,604.46	57,665.54
Excess (deficiency) of revenues over expenditures	(3,000.00)	26,650.00	(10,270.00)	29,542.46	39,812.46
Fund Balance, Beginning of Year	441,522.91	441,522.91	441,522.91	441,522.91	0.00
Fund Balance, End of Year	\$ 438,522.91	\$ 468,172.91	\$ 431,252.91	\$ 471,065.37	\$ 39,812.46

See Accompanying Independent Auditor's Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
TOURISM FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Taxes:					
Motel tax	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 79,052.63	\$ 4,052.63
Grant revenue	476,360.00	984,405.00	984,405.00	507,718.73	(476,686.27)
Total Revenues	551,360.00	1,059,405.00	1,059,405.00	586,771.36	(472,633.64)
Expenditures:					
Current:					
Program related costs	668,150.00	1,300,081.00	1,314,081.00	679,073.23	635,007.77
Total Expenditures	668,150.00	1,300,081.00	1,314,081.00	679,073.23	635,007.77
Other Financing Sources (Uses):					
Transfer to Recreation	0.00	0.00	0.00	(14,000.00)	(14,000.00)
Transfer from General Fund	0.00	126,387.00	126,387.00	126,387.00	0.00
Total Other Financing Sources	0.00	126,387.00	126,387.00	112,387.00	0.00
Excess (deficiency) of revenues over expenditures	(116,790.00)	(114,289.00)	(128,289.00)	20,085.13	162,374.13
Fund Balance, Beginning of Year	231,891.21	231,891.21	231,891.21	231,891.21	0.00
Fund Balance, End of Year	\$ 115,101.21	\$ 117,602.21	\$ 103,602.21	\$ 251,976.34	\$ 162,374.13

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
COMMUNITY POLICING FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with
	Original	Amended	Final	Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Miscellaneous	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 32,604.96	\$ (3,395.04)
Total Revenues	36,000.00	36,000.00	36,000.00	32,604.96	(3,395.04)
Expenditures:					
Current:					
General expenditures:					
Program related expenditures	43,000.00	43,250.00	47,250.00	32,877.37	14,372.63
Total Expenditures	43,000.00	43,250.00	47,250.00	32,877.37	14,372.63
Other Financing Sources (Uses):					
Transfer from General Fund	7,000.00	7,000.00	7,000.00	7,000.00	0.00
Total Other Financing Sources	7,000.00	7,000.00	7,000.00	7,000.00	0.00
Excess (deficiency) of revenues and other financing					
sources over expenditures and other financing uses	0.00	(250.00)	(4,250.00)	6,727.59	10,977.59
Fund Balance, Beginning of Year	44,647.60	44,647.60	44,647.60	44,647.60	0.00
Fund Balance, End of Year	\$ 44,647.60	\$ 44,397.60	\$ 40,397.60	\$ 51,375.19	\$ 10,977.59

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
US Department of Agriculture	10.760	N/A	\$ 57,130.00
US Department of Agriculture	10.760	N/A	943,000.00
Total Program 10.760			<u>\$ 1,000,130.00</u>
US Department of Transportation	20.205	100099	\$ 505,218.73
US Department of Transportation	20.205	100193	14,283.93
Total Program 20.205			<u>\$ 519,502.66</u>
US Department of Agriculture	10.555/10.553	N/A	\$ 575,396.01
US Department of Education	84.010	N/A	395,408.00
US Department of Education	84.027	N/A	396,564.76
US Department of Education	84.173	N/A	48,578.24
US Department of Education	84.358	N/A	26,871.00
US Department of Education	84.365	N/A	23,506.00
US Department of Education	84.367	N/A	56,247.00
US Department of Education	84.374A	N/A	491,505.69
US Department of Transportation	20.607	Z14GHS215	28,084.91
TOTAL FEDERAL AWARDS - NON - ARRA			<u>\$ 2,042,161.61</u>
<u>Federal Awards - ARRA</u>			
US Department of Education	84.395	N/A	\$ 13,350.00
TOTAL FEDERAL AWARDS - ARRA			<u>\$ 13,350.00</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,575,144.27</u>
<u>State Financial Assistance</u>			
TN Department of Environment and Conservation	N/A	32701-01683	\$ 103,087.56
TN Department of Health	N/A	GG-14-38502	15,000.00
TN Department of Health	N/A	GG-14-38532	150,000.00
TN Department of Commerce and Insurance	N/A	-	20,400.00
TN Department of Commerce and Insurance	N/A	-	15,000.00
TN Department of Education	N/A	-	8,035.00
TN Department of Education	N/A	-	6,248,000.00
TN Department of Education	N/A	-	277,455.00
TN Department of Education	N/A	-	10,000.00
TN Department of Education	N/A	-	68,120.00
TN Department of Education	N/A	-	83,100.84
TN Department of Education	N/A	-	7,000.00
TN Department of Education	N/A	-	87,833.29
TN Department of Education	N/A	-	3,749.83
TN Department of Education	N/A	-	1,081.20
TN Department of Education	N/A	-	3,488.13
TN Department of Education	N/A	-	59,223.30
TOTAL STATE AWARDS			<u>\$ 7,160,574.15</u>
TOTAL FEDERAL AND STATE AWARDS			<u><u>\$ 9,202,735.76</u></u>

Note: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Manchester under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

SCHEDULE OF TRANSFERS

Transfer from General Fund to Sanitation Fund	\$ 57,000.00
Transfer from General Fund to Recreation Fund	475,000.00
Transfer from General Fund to General Purpose School Fund	1,678,467.00
Transfer from General Fund to Debt Service Fund	12,594,201.33
Transfer from General Fund to Community Policing Fund	7,000.00
Transfer from General Fund to Tourism Fund	126,387.00
Transfer from Recreation Fund to Debt Service Fund	92,522.33
Transfer from Sanitation Fund to Debt Service Fund	15,689.63
Transfer from Tourism Fund to Recreation Fund	<u>14,000.00</u>
 Total Transfers	 <u>\$ 15,060,267.29</u>

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION DEBT

Fiscal Year	General Obligation Refunding Bonds, Series 2010		General Obligation Refunding Bonds, Series 2013		General Obligation Refunding Bonds, Series 2014		First Vision Bank		Coffee County Bank		Local Government Public Improvement Bonds Series Z-4-A PBA Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 10,000.00	\$ 493,905.00	\$ 55,000.00	\$ 262,481.26	\$ 365,000.00	\$ 37,450.00	\$ 39,285.71	\$ 6,894.48	\$ 39,285.71	\$ 6,894.48	\$ 120,000.00	\$ 44,065.00	\$ 628,571.42	\$ 851,690.22
2016	10,000.00	493,705.00	55,000.00	261,793.76	370,000.00	26,500.00	39,285.71	5,360.98	39,285.71	5,360.98	135,000.00	39,265.00	648,571.42	831,985.72
2017	10,000.00	493,467.50	55,000.00	261,106.26	385,000.00	15,400.00	39,285.71	3,827.46	39,285.71	3,827.46	145,000.00	33,865.00	673,571.42	811,493.68
2018	10,000.00	493,205.00	450,000.00	260,418.76	0.00	0.00	39,285.74	2,302.37	39,285.71	2,302.37	160,000.00	28,427.50	698,571.45	786,656.00
2019	10,000.00	492,930.00	485,000.00	251,418.76	0.00	0.00	0.00	0.00	626.02	37.56	175,000.00	22,347.50	670,626.02	766,733.82
2020	10,000.00	492,630.00	480,000.00	241,718.76	0.00	0.00	0.00	0.00	0.00	0.00	190,000.00	15,610.00	680,000.00	749,958.76
2021	10,000.00	492,305.00	495,000.00	232,118.76	0.00	0.00	0.00	0.00	0.00	0.00	205,000.00	8,200.00	710,000.00	732,623.76
2022	10,000.00	491,980.00	725,000.00	221,600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	735,000.00	713,580.00
2023	10,000.00	491,655.00	745,000.00	205,287.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	755,000.00	696,942.50
2024	10,000.00	491,305.00	765,000.00	187,593.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	775,000.00	678,898.76
2025	10,000.00	490,905.00	805,000.00	166,556.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	815,000.00	657,461.26
2026	10,000.00	490,505.00	830,000.00	142,406.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	840,000.00	632,911.26
2027	10,000.00	490,105.00	860,000.00	117,506.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	870,000.00	607,611.26
2028	10,000.00	489,705.00	895,000.00	90,631.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	905,000.00	580,336.26
2029	10,000.00	489,305.00	930,000.00	62,662.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	940,000.00	551,967.50
2030	10,000.00	488,885.00	960,000.00	33,600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	970,000.00	522,485.00
2031	1,115,000.00	488,465.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,115,000.00	488,465.00
2032	1,155,000.00	441,635.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,155,000.00	441,635.00
2033	1,195,000.00	393,125.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,195,000.00	393,125.00
2034	1,265,000.00	340,843.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,265,000.00	340,843.76
2035	1,330,000.00	285,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,330,000.00	285,500.00
2036	1,380,000.00	219,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,380,000.00	219,000.00
2037	1,475,000.00	150,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,475,000.00	150,000.00
2038	1,525,000.00	76,250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,525,000.00	76,250.00
	<u>\$ 10,600,000.00</u>	<u>\$ 10,261,316.26</u>	<u>\$ 9,590,000.00</u>	<u>\$ 2,998,900.12</u>	<u>\$ 1,120,000.00</u>	<u>\$ 79,350.00</u>	<u>\$ 157,142.87</u>	<u>\$ 18,385.29</u>	<u>\$ 157,768.86</u>	<u>\$ 18,422.85</u>	<u>\$ 1,130,000.00</u>	<u>\$ 191,780.00</u>	<u>\$ 22,754,911.73</u>	<u>\$ 13,568,154.52</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS TO MATURITY - WATER AND SEWER FUND (REVENUE & TAX BACKED) DEBT

Fiscal Year	General Obligation Refunding Bonds, Series 2010		Local Government Public Improvement Bonds Series Z-1-B-DRUC*		Water & Sewer Revenue & Tax Refunding Bonds Series 2006 - DRUC		Water & Sewer Revenue & Tax Refunding Bonds Series 2006		General Obligation Refunding Bonds, Series 2014		SRF Loan Series 2011		RDA Bonds Series 2011		RDA Bonds Series 2014		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 20,000.00	\$ 208,000.00	\$ 0.00	\$ 146,250.00	\$ 305,000.00	\$ 282,158.00	\$ 15,000.00	\$ 28,520.00	\$ 410,000.00	\$ 100,200.00	\$ 324,576.00	\$ 137,558.05	\$ 20,925.67	\$ 38,569.40	29,100.35	14,243.65	\$ 1,124,602.02	\$ 955,499.10
2016	20,000.00	207,600.00	0.00	146,250.00	315,000.00	269,758.00	15,000.00	27,920.00	430,000.00	87,900.00	331,656.00	130,477.12	21,562.13	38,036.49	29,393.19	13,950.81	1,162,611.32	921,892.42
2017	20,000.00	207,125.00	0.00	146,250.00	325,000.00	256,958.00	15,000.00	27,320.00	445,000.00	75,000.00	338,890.80	123,241.72	22,217.98	37,277.10	30,362.83	12,981.17	1,196,471.61	886,152.99
2018	20,000.00	206,600.00	0.00	146,250.00	340,000.00	244,083.00	15,000.00	26,738.75	460,000.00	57,200.00	346,285.20	115,848.47	22,893.76	36,601.34	31,364.46	11,979.54	1,235,543.42	845,301.10
2019	20,000.00	206,050.00	0.00	146,250.00	350,000.00	231,058.00	20,000.00	26,077.50	475,000.00	38,800.00	353,839.20	108,293.93	23,590.09	35,905.03	32,399.11	10,944.89	1,274,828.40	803,379.35
2020	20,000.00	205,450.00	0.00	146,250.00	375,000.00	217,189.00	20,000.00	25,312.50	495,000.00	19,800.00	361,557.60	100,574.59	24,307.61	35,283.52	33,467.92	9,876.08	1,329,333.13	759,735.69
2021	595,000.00	204,800.00	0.00	146,250.00	385,000.00	202,463.00	20,000.00	24,537.50	0.00	0.00	369,445.20	92,686.86	25,046.96	34,448.22	34,571.97	8,772.03	1,429,064.13	713,957.61
2022	615,000.00	185,462.50	0.00	146,250.00	405,000.00	186,855.00	20,000.00	23,747.50	0.00	0.00	377,504.40	84,627.06	25,808.78	33,686.41	35,712.46	7,631.54	1,479,025.64	668,260.01
2023	625,000.00	165,475.00	0.00	146,250.00	420,000.00	170,355.00	20,000.00	22,947.50	0.00	0.00	385,740.00	76,391.44	26,593.78	32,901.43	36,890.55	6,453.45	1,514,224.33	620,773.82
2024	670,000.00	143,600.00	0.00	146,250.00	435,000.00	153,255.00	20,000.00	22,147.50	0.00	0.00	394,154.40	67,876.14	27,402.65	32,180.02	38,107.51	5,236.49	1,584,664.56	570,645.15
2025	685,000.00	116,800.00	0.00	146,250.00	455,000.00	135,455.00	20,000.00	21,347.50	0.00	0.00	402,753.60	59,377.28	28,236.13	31,259.12	39,364.63	3,979.37	1,630,354.36	514,468.27
2026	705,000.00	89,400.00	0.00	146,250.00	465,000.00	117,055.00	25,000.00	20,447.50	0.00	0.00	411,540.00	50,590.81	29,094.94	30,400.30	40,663.20	2,680.80	1,676,298.14	456,824.41
2027	745,000.00	61,200.00	0.00	146,250.00	485,000.00	98,055.00	25,000.00	19,447.50	0.00	0.00	420,517.20	41,612.67	29,979.92	29,515.37	42,004.60	1,339.40	1,747,501.72	397,419.94
2028	785,000.00	31,400.00	0.00	146,250.00	510,000.00	77,900.00	25,000.00	18,435.00	0.00	0.00	429,691.20	32,438.68	30,891.78	28,681.37	19,355.36	151.71	1,799,938.34	335,256.76
2029	0.00	0.00	0.00	146,250.00	530,000.00	56,580.00	25,000.00	17,410.00	0.00	0.00	439,064.40	23,064.58	31,831.39	27,663.95	0.00	0.00	1,025,895.79	270,968.53
2030	0.00	0.00	0.00	146,250.00	545,000.00	34,543.00	30,000.00	16,282.50	0.00	0.00	448,642.80	13,485.94	32,799.57	26,695.77	0.00	0.00	1,056,442.37	237,257.21
2031	0.00	0.00	0.00	146,250.00	570,000.00	11,678.00	30,000.00	15,052.50	0.00	0.00	356,299.50	3,778.56	33,797.19	25,698.17	0.00	0.00	990,096.69	202,457.23
2032	0.00	0.00	350,000.00	146,250.00	0.00	0.00	30,000.00	13,781.25	0.00	0.00	0.00	0.00	0.00	34,825.16	24,737.23	0.00	414,825.16	184,768.48
2033	0.00	0.00	375,000.00	128,750.00	0.00	0.00	30,000.00	12,468.75	0.00	0.00	0.00	0.00	0.00	35,884.40	23,611.02	0.00	440,884.40	164,829.77
2034	0.00	0.00	400,000.00	110,000.00	0.00	0.00	35,000.00	11,046.88	0.00	0.00	0.00	0.00	0.00	36,975.85	22,519.59	0.00	471,975.85	143,566.47
2035	0.00	0.00	425,000.00	90,000.00	0.00	0.00	35,000.00	9,515.63	0.00	0.00	0.00	0.00	0.00	38,100.52	21,394.97	0.00	498,100.52	120,910.60
2036	0.00	0.00	450,000.00	68,750.00	0.00	0.00	35,000.00	7,984.38	0.00	0.00	0.00	0.00	0.00	39,259.38	20,290.87	0.00	524,259.38	97,025.25
2037	0.00	0.00	450,000.00	46,250.00	0.00	0.00	35,000.00	6,453.13	0.00	0.00	0.00	0.00	0.00	40,453.49	19,042.03	0.00	525,453.49	71,745.16
2038	0.00	0.00	470,000.00	23,750.00	0.00	0.00	40,000.00	4,812.50	0.00	0.00	0.00	0.00	0.00	41,683.94	17,811.61	0.00	551,683.94	46,374.11
2039	0.00	0.00	0.00	0.00	0.00	0.00	40,000.00	3,062.50	0.00	0.00	0.00	0.00	0.00	42,951.77	16,543.82	0.00	82,951.77	19,606.32
2040	0.00	0.00	0.00	0.00	0.00	0.00	50,000.00	1,093.75	0.00	0.00	0.00	0.00	0.00	44,258.21	15,278.39	0.00	94,258.21	16,372.14
2041	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45,604.36	13,891.28	0.00	45,604.36	13,891.28
2042	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46,991.46	12,504.23	0.00	46,991.46	12,504.23
2043	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	48,420.74	11,074.98	0.00	48,420.74	11,074.98
2044	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	49,893.51	9,627.71	0.00	49,893.51	9,627.71
2045	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,411.07	8,084.73	0.00	51,411.07	8,084.73
2046	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52,974.78	6,521.05	0.00	52,974.78	6,521.05
2047	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	54,586.07	4,909.80	0.00	54,586.07	4,909.80
2048	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	56,246.35	3,257.50	0.00	56,246.35	3,257.50
2049	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,957.13	1,538.81	0.00	57,957.13	1,538.81
2050	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,570.49	123.69	0.00	19,570.49	123.69
	<u>\$ 5,545,000.00</u>	<u>\$ 2,238,962.50</u>	<u>\$ 2,920,000.00</u>	<u>\$ 3,100,000.00</u>	<u>\$ 7,215,000.00</u>	<u>\$ 2,745,398.00</u>	<u>\$ 690,000.00</u>	<u>\$ 453,910.02</u>	<u>\$ 2,715,000.00</u>	<u>\$ 378,900.00</u>	<u>\$ 6,492,157.50</u>	<u>\$ 1,262,023.90</u>	<u>\$ 1,295,029.01</u>	<u>\$ 807,566.32</u>	<u>\$ 472,758.14</u>	<u>\$ 110,220.93</u>	<u>\$ 27,344,944.65</u>	<u>\$ 11,096,981.67</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

SCHEDULE OF CHANGES IN PROPERTY AND UTILITY TAXES RECEIVABLE*

	Balance July 1, 2013	Levy	Adjustments and Collections	Balance June 30, 2014
Tax Year				
2014	\$ 0.00	\$ 4,616,283.49	\$ (4,305,671.18)	\$ 310,612.31
2013	262,788.09	0.00	(145,285.89)	117,502.20
2012	95,648.75	0.00	(68,700.83)	26,947.92
2011	34,087.84	0.00	(19,446.52)	14,641.32
2010	21,509.28	0.00	(10,886.23)	10,623.05
2009	12,876.40	0.00	(531.80)	12,344.60
2008	5,567.84	0.00	(371.47)	5,196.37
2007	5,881.45	0.00	(648.66)	5,232.79
2006	825.80	0.00	(215.37)	610.43
2005	521.12	0.00	(215.37)	305.75
2004 and thereafter	2,963.80	0.00	0.00	2,963.80
Total	<u>\$ 442,670.37</u>	<u>\$ 4,616,283.49</u>	<u>\$ (4,551,973.32)</u>	<u>506,980.54</u>
Add: 2014 Tax Levy				<u>4,650,466.44</u>
				<u>\$ 5,157,446.98</u>

*Taxes become delinquent in March of the year following the tax year of levy. Delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

Year	Rate	Valuations	Assessment
2014	2.2999	193,886,292	4,459,191.26
2013	2.2999	192,531,402	4,428,030.27
2012	2.2999	190,954,294	4,391,758.88
2011	2.2999	190,664,264	4,385,088.35
2010	2.2999	191,649,581	4,407,749.61
2009	2.42	178,974,121	4,331,182.14
2008	2.42	170,798,164	4,133,323.84
2007	2.42	166,346,338	4,025,589.85
2006	2.62	159,593,260	4,181,351.68
2005	2.77	133,848,245	3,707,601.39
2004	2.77	128,070,916	3,547,569.52

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

SCHEDULE OF INSURANCE COVERAGE IN FORCE

<u>Insurer Risk Covered</u>	<u>Amount of Coverage</u>
<u>Property coverage</u>	
Builders and personal property – per schedule	Blanket
Contractors equipment (\$1,000 deductible)	\$ 500,000
Equipment media/Software (\$250 deductible)	\$ 1,000,000
Automatic coverage	Various
Extra expense – per occurrence	\$ 5,000,000
Valuable papers and records – per occurrence	\$ 1,000,000
Flood and surface water – pool aggregate (\$1,000 deductible)	\$ 25,000,000
Earthquake – pool aggregate (\$1,000 deductible)	\$ 25,000,000
Property in transit	\$ 100,000
Fine arts	\$ 500,000
New construction – Builders’ risk	\$ 500,000
Pollution clean-up and removal	\$ 25,000
<u>Crime coverage</u>	
Fidelity – each loss	\$ 150,000
Loss inside/loss outside – each loss	\$ 150,000
Money orders and counterfeit – each loss	\$ 150,000
Depositors forgery – each loss	\$ 150,000
Deductible	\$ 500
<u>Worker’s compensation and employer’s liability</u>	
Bodily injury by accident – each accident	\$ 1,000,000
Bodily injury by disease – policy limit	\$ 1,000,000
Bodily injury by disease – each employee	\$ 1,000,000
<u>Public official errors and omissions</u>	
Limit per occurrence (\$2,500 deductible)	\$ 1,000,000
<u>Employee benefits liability</u>	
Limit – each claim	\$ 1,000,000
Per member annual aggregate	\$ 1,000,000
<u>General liability coverage</u>	
Bodily injury and property damage – general aggregate	No aggregate limit
Bodily injury and property damage – each occurrence	\$ 1,000,000
Products/Completed operations aggregate	No aggregate limit
Personal and advertising injury – no aggregate	\$ 1,000,000
Damage to premises rented to you	Policy limit
Medical expense	Legal liability only
Law enforcement liability – each occurrence (\$2,500 deductible)	\$ 1,000,000
<u>Automobile liability coverage</u>	
Bodily injury/Property damage – each occurrence	\$ 1,000,000
Hired/Non-owned	\$ 1,000,000
Medical payment – (\$5,000 per person)	\$ 100,000
Comprehensive and collision deductible	\$ 1,000

(continued)

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

SCHEDULE OF INSURANCE COVERAGE IN FORCE (continued)

<u>Boiler and machinery</u>	
Property damage (\$5,000 deductible)	\$ 21,448,443
Expediting expense	\$ 500,000
Spoilage damage	\$ 100,000
Utility interruption damage	\$ 100,000
Ordinance of law	\$ 500,000
Ammonia contamination	\$ 500,000
Hazardous substances	\$ 500,000
Water damages	\$ 100,000
Combined deductible	\$ 5,000

**CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

SCHEDULE OF UTILITY STATISTICAL DATA

	<u>Water</u>	<u>Sewer</u>
Within Corporate Limits:		
Up to and including 2,000 gallons	\$8.60 Minimum	\$10.82 Minimum
Next 98,000 gallons	\$4.30/1000 gal.	\$5.41/1000 gal.
All over the next 100,000 gallons	\$3.42/1000 gal.	\$4.30/1000 gal.
Unmetered Residential Customers		\$25.74 Minimum
Outside Corporate Limits:		
One and one-half times inside rate - Industrial		
Two times inside rate - Residential and commercial		
<u>Water & Sewer Customers</u>	<u>Water</u>	<u>Sewer</u>
6/30/2014	6,912	4,729

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

SCHEDULE OF CASH AND CASH EQUIVALENTS - BY DEPOSITORY - ALL FUNDS

	<u>First National</u>	<u>Coffee County</u>	<u>Peoples Bank & Trust</u>	<u>U. S. Bank</u>	<u>First Vision</u>	<u>Regions Bank</u>	<u>Other</u>	<u>Balance June 30, 2014</u>
Pooled Cash Account								
Demand deposits accounts	\$ 4,368,476.10	\$ 632,090.07	\$ 2,006,871.34	\$ 0.00	\$ 2,120,379.75	\$ 0.00	\$ 1,150.00	\$ 9,128,967.26
	<u>4,368,476.10</u>	<u>632,090.07</u>	<u>2,006,871.34</u>	<u>0.00</u>	<u>2,120,379.75</u>	<u>0.00</u>	<u>1,150.00</u>	<u>9,128,967.26</u>
General Purpose School Fund:								
Cash on hand	0.00	0.00	0.00	0.00	0.00	0.00	50.00	50.00
Demand Deposit Accounts	53,104.80	0.00	0.00	0.00	0.00	0.00	0.00	53,104.80
Total General Purpose School Fund	<u>53,104.80</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>50.00</u>	<u>53,154.80</u>
Recreation Fund								
Cash on hand	0.00	0.00	0.00	0.00	0.00	0.00	750.00	750.00
Demand deposits accounts	0.00	0.00	177,102.28	0.00	0.00	0.00	0.00	177,102.28
Total Recreation Fund	<u>0.00</u>	<u>0.00</u>	<u>177,102.28</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>750.00</u>	<u>177,852.28</u>
Other School Special Revenue Funds								
Demand deposit	0.00	168,499.33	0.00	0.00	0.00	0.00	714.30	169,213.63
	<u>0.00</u>	<u>168,499.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>714.30</u>	<u>169,213.63</u>
Water & Sewer Fund:								
Cash on hand	0.00	0.00	0.00	0.00	0.00	0.00	1,147.11	1,147.11
Demand deposits	5,184.03	3,137.40	1,170,784.96	480.74	0.00	4,859.06	5,328.67	1,189,774.86
Total Water and Sewer Fund	<u>5,184.03</u>	<u>3,137.40</u>	<u>1,170,784.96</u>	<u>480.74</u>	<u>0.00</u>	<u>4,859.06</u>	<u>6,475.78</u>	<u>1,190,921.97</u>
Total Cash and Equivalents	<u>\$ 4,426,764.93</u>	<u>\$ 803,726.80</u>	<u>\$ 3,354,758.58</u>	<u>\$ 480.74</u>	<u>2,120,379.75</u>	<u>\$ 4,859.06</u>	<u>\$ 9,140.08</u>	<u>\$ 10,720,109.94</u>

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

REPORTING WORKSHEET - UNAUDITED

AWWA Free Water Audit Software: Reporting Worksheet										WAS V5.0 American Water Works Association Copyright © 2014, All Rights Reserved	
<input type="button" value="Click to access definition"/> <input type="button" value="Click to add a comment"/>		Water Audit Report for: Manchester Water and Sewer Department (0000429) Reporting Year: 2014 7/2013 - 6/2014									
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades.											
All volumes to be entered as: MILLION GALLONS (US) PER YEAR											
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below											
<div style="display: flex; justify-content: space-between;"> <div> <p>WATER SUPPLIED</p> <p>Volume from own sources: <input type="text" value="0.000"/> MG/yr</p> <p>Water imported: <input type="text" value="912.724"/> MG/yr</p> <p>Water exported: <input type="text" value="213.809"/> MG/yr</p> <p>WATER SUPPLIED: <input type="text" value="678.558"/> MG/yr</p> </div> <div> <p>Enter grading in column 'E' and 'J'</p> <p>Master Meter and Supply Error Adjustments</p> <p>Pcnt: <input type="text" value="3.00%"/> Value: <input type="text" value="3.00%"/> MG/yr</p> <p>Pcnt: <input type="text" value="3.00%"/> Value: <input type="text" value="3.00%"/> MG/yr</p> <p>Enter negative % or value for under-registration Enter positive % or value for over-registration</p> </div> </div>											
<p>AUTHORIZED CONSUMPTION</p> <p>Billed metered: <input type="text" value="539.770"/> MG/yr</p> <p>Billed unmetered: <input type="text" value="0.124"/> MG/yr</p> <p>Unbilled metered: <input type="text" value="14.566"/> MG/yr</p> <p>Unbilled unmetered: <input type="text" value="8.482"/> MG/yr</p> <p>Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed</p> <p>AUTHORIZED CONSUMPTION: <input type="text" value="562.972"/> MG/yr</p>											
<p>WATER LOSSES (Water Supplied - Authorized Consumption) <input type="text" value="115.588"/> MG/yr</p> <p>Apparent Losses</p> <p>Unauthorized consumption: <input type="text" value="1.696"/> MG/yr</p> <p>Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed</p> <p>Customer metering inaccuracies: <input type="text" value="0.000"/> MG/yr</p> <p>Systematic data handling errors: <input type="text" value="1.349"/> MG/yr</p> <p>Default option selected for systematic data handling errors - a grading of 5 is applied but not displayed</p> <p>Apparent Losses: <input type="text" value="3.046"/> MG/yr</p>											
<p>Real Losses (Current Annual Real Losses or CARL)</p> <p>Real Losses = Water Losses - Apparent Losses: <input type="text" value="112.540"/> MG/yr</p> <p>WATER LOSSES: <input type="text" value="115.588"/> MG/yr</p>											
<p>NON-REVENUE WATER</p> <p>NON-REVENUE WATER: <input type="text" value="138.864"/> MG/yr</p> <p>= Water Losses + Unbilled Metered + Unbilled Unmetered</p>											
<p>SYSTEM DATA</p> <p>Length of mains: <input type="text" value="175.0"/> miles</p> <p>Number of active AND inactive service connections: <input type="text" value="7,761"/></p> <p>Service connection density: <input type="text" value="44"/> conn./mile main</p> <p>Are customer meters typically located at the curbside or property line? <input type="text" value="Yes"/> (length of service line beyond the property boundary, that is the responsibility of the utility)</p> <p>Average length of customer service line: <input type="text" value="60.0"/> ft</p> <p>Average length of customer service line has been set to zero and a data grading score of 10 has been applied</p> <p>Average operating pressure: <input type="text" value="60.0"/> psi</p>											
<p>COST DATA</p> <p>Total annual cost of operating water system: <input type="text" value="\$1,096,318"/> \$/Year</p> <p>Customer retail unit cost (applied to Apparent Losses): <input type="text" value="\$3.91"/> \$/1,000 gallons (US)</p> <p>Variable production cost (applied to Real Losses): <input type="text" value="\$1,250.00"/> \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses</p>											
<p>WATER AUDIT DATA VALIDITY SCORE:</p> <p>*** YOUR SCORE IS: 93 out of 100 ***</p> <p>A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</p>											
<p>PRIORITY AREAS FOR ATTENTION:</p> <p>Based on the information provided, audit accuracy can be improved by addressing the following components:</p> <p>1: Unauthorized consumption</p> <p>2: Systematic data handling errors</p> <p>3: Customer metering inaccuracies</p>											

See Accompanying Independent Auditors' Report.

CITY OF MANCHESTER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

PERFORMANCE INDICATORS - UNAUDITED

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved
Water Audit Report for: Manchester Water and Sewer Department (0000429)		
Reporting Year: 2014 7/2013 - 6/2014		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 93 out of 100 ***		
System Attributes:		
	Apparent Losses:	3.046 MG/yr
+	Real Losses:	112.540 MG/yr
=	Water Losses:	115.586 MG/yr
?	Unavoidable Annual Real Losses (UARL):	46.23 MG/yr
	Annual cost of Apparent Losses:	\$11,909
	Annual cost of Real Losses:	\$140,676
		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	20.4%
	Non-revenue water as percent by cost of operating system:	16.5% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	1.08 gallons/connection/day
	Real Losses per service connection per day:	39.73 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	0.66 gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	112.54 million gallons/year
	Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.43
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

See Accompanying Independent Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Board of Aldermen
City of Manchester, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Manchester, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Manchester, Tennessee's basic financial statements and have issued our report thereon dated March 30, 2015. Our report was modified due to a fundamental lack of internal control over capital assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Manchester, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Manchester, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Manchester, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2012-001].

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies [2006-003 and 2013-001].

Compliance and Other Matters

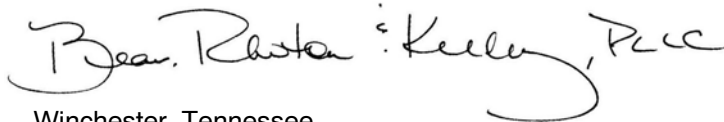
As part of obtaining reasonable assurance about whether City of Manchester, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [2006-001, 2013-002, and 2014-001].

City of Manchester, Tennessee's Responses to Findings

City of Manchester, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Manchester, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Bear Rosta". The signature is fluid and cursive, with a large loop at the end.

Winchester, Tennessee
March 30, 2015



BEAN, RHOTON & KELLEY, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Board of Aldermen
City of Manchester, Tennessee

Report on Compliance for Each Major Federal Program

We have audited City of Manchester, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Manchester, Tennessee's major federal programs for the year ended June 30, 2014. City of Manchester, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Manchester, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Manchester, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Manchester, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Manchester, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with OMB Circular A-133.

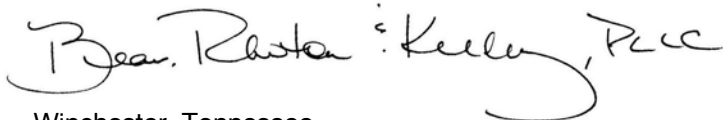
Report on Internal Control Over Compliance

Management of City of Manchester, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Manchester, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Manchester, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Bear Rosta". The signature is fluid and cursive, with a large, sweeping "B" and "R".

Winchester, Tennessee
March 30, 2015

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2014

Financial Statement Findings

Finding Numbers	Finding Title	Status
2006-001	Incomplete or Missing Expenditure Documentation	Repeated
2006-003	Proper Segregation of Duties	Repeated
2011-002	Violation of the Three Day Banking Law	Corrected
2012-001	Lack of Control over Assets Received from the Department of Defense Surplus Program	Repeated
2012-002	Unrecorded Bank Accounts	Corrected
2012-003	Fundraising Activities	Corrected
2013-001	Inventory	Corrected
2013-002	Net Operating Loss	Corrected

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

I. Summary of Auditors' Results

- A. The June 30, 2014 Auditors' Report on the Financial Statements was modified due to a fundamental lack of internal control over assets, particularly in relation to the recording of assets acquired as donations from the United States Department of Defense surplus programs, as well as undocumented bank accounts and fundraising activities.
- B. Significant deficiencies in internal control were disclosed by the audit and are discussed in findings 2006-003 and 2013-001.
- C. Findings 2012-001 are considered material weaknesses.
- D. Instances of noncompliance were disclosed by the audit and are discussed below in findings 2006-001, 2013-002, and 2014-001.
- E. The report on compliance for major programs was an unqualified opinion.
- F. There were no findings required to be reported under 510(a).
- G. Major Programs - United States Department of Education Title I, Part A, CFDA #84.010; United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities, CFDA #10.760; United States Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program) CFDA #20.205; United States Department of Education IDEA, CFDA #84.027 and #84.713; United States Department of Education Teacher Incentive Fund, CFDA #84.374A.
- H. Type A programs have been distinguished as those programs or clusters of programs with expenditures greater than \$300,000.
- I. The City of Manchester was not considered to be a low risk auditee.

II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(2006-001) Incomplete or Missing Expenditure Documentation

During our audit, we found expenditures for which documentation was incomplete or missing in its entirety. Missing documents included invoices, statements, approved requisition orders, and copies of cancelled checks.

Recommendation:

The Internal Control and Compliance Manual for Tennessee Municipalities states that supporting documentation, such as invoices, receiving reports (signed), and other documents, must be obtained for all purchases. They should be attached together and filed in such a way that they can be easily found for future reference and audit. Each invoice should be stamped, perforated, or otherwise marked as paid when each check is written. Disbursements should always be paid from the original invoice, and payment from a statement alone is insufficient. Disbursements should be approved by the head of each department.

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
June 30, 2014

(2006-001) Incomplete or Missing Expenditure Documentation (continued)

City's Comment:

The City has implemented policies and procedures that require supporting documentation on all invoices, approved first by the department or their assistant, and approved by the Finance Director prior to being submitted for payments. When an invoice is ready for payment, the department head or their assistant is required to submit the invoice, attach a signed packing slip if provided and a signed check requisition form approving the invoice for payment. The amount requested is checked to make sure that requisition form is the same amount as the invoice. The Finance Director approves all invoices and reviews all checks before they are mailed or released. A copy of the check is attached to the invoice and stamped "paid." It is then filed in numerical order for easy access until the end of the fiscal year.

Disposition:

As of June 30, 2014, this problem continues to exist.

(2006-003) Proper Segregation of Duties

In our review of the overall accounting controls of the City's accounting system, we found several areas where proper segregation of duties might be obtained.

Recommendation:

Because of the number of office employees working for the City, we do not believe a complete segregation of duties is possible that would eliminate all weaknesses in the City's accounting system. However, management should consider a thorough study of the internal control aspect of the accounting system. Certain additional procedures and segregation of proper duties should increase the control over the assets.

City's Comment:

Although this problem was still in existence, we are continuing to work to improve the segregation of duties without compromising internal controls.

Disposition:

As of June 30, 2014, this problem continues to exist.

(2011-002) Violation of the Three Day Banking Law

Deposits are not always being made within three days of receipt. This includes not only regular deposits related to the normal course of City operations, but also cash seized during arrests.

Disposition:

As of June 30, 2014, this problem no longer exists.

(2012-001) Lack of Control over Assets Received from the Department of Defense Surplus Program

In 2012, audit testing and inquiries in relation to control over fixed assets revealed a fundamental lack of control over fixed assets, in particular in relation to the acquisition, use and disposal of assets and supplies obtained through the Department of Defense Law Enforcement Support Office (LESO) surplus program. While we were able to physically observe and trace some of the assets received, we were unable to completely reconcile assets received as per confirmations with the Department of Defense to the asset activity recorded on the City's fixed asset listing and other financial information. Estimated values obtained from the Department of Defense total in excess of \$600,000 for the assets and supplies the City received during the year ended June 30, 2012. This situation was also present at the beginning of the current fiscal year.

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
June 30, 2014

(2012-001) Lack of Control over Assets Received from the Department of Defense Surplus Program (continued)

Recommendation:

The City should prepare an inventory accounting for all assets held by the City. Any material differences between the current listing and the actual inventory should be reconciled to available receipt and disposal records. The City should also review the internal control system regarding fixed assets, identifying deficiencies and making changes to the policies as deemed necessary.

City's Comment:

We concur with the finding and are currently reviewing procedures to ensure that this issue is corrected.

Disposition:

As of June 30, 2014, this problem still exists.

(2012-002) Unrecorded Bank Accounts

We found funds held by the police and fire departments which were not previously recorded with other City financial information. During the audit period, both accounts were held in the federal identification number of the City of Manchester. Information regarding these accounts is summarized in the following paragraphs:

Police Department:

The police department was found to have possession of a passbook savings account with a balance at June 30, 2012 of \$8,166.56. Between July 1, 2011 and June 30, 2012, \$23,325 was deposited into the account and \$20,376 in cash was withdrawn by authorized signors on the account. At the time of both audits, no documentation was available to determine or support as to how these withdrawals were spent. Therefore, we were unable to determine if the activities recorded were legitimate police department activities. Regarding the monies deposited, approximately \$2,600 was determined to be payroll deductions. However, the source of the remaining \$20,725 in deposits was undeterminable.

This account was closed in April 2013. However, between July 1, 2012 and June 30, 2013, \$1,128.16 was deposited into the account and \$17,421.41 was withdrawn from the account.

Fire Department:

The fire department was found to have possession of a checking account with a balance at June 30, 2012 of \$7,275. Between July 1, 2011 and June 30, 2012, \$13,739 was deposited into the account and checks totaling \$10,424 were written. At the time of the audit, no documentation other than copies of cancelled checks and a checkbook register were available to confirm how these withdrawals were spent. Therefore, we were unable to determine if the activities recorded were legitimate fire department activities. Register summaries indicate activities, which include a chili cook-off, seasonal activities held for the public, donations and purchases of Christmas gifts. Regarding the monies deposited, approximately \$3,800 was determined to be payroll deductions. The register indicated other sources of income to be calendar sales, chili cook-off revenue and donations. These were also unable to be confirmed.

This account was closed in April 2013. However, between July 1, 2012 and June 30, 2013, \$8,230.00 was deposited into the account and \$15,504.92 was withdrawn from the account. \$7,369.46 was able to be traced at closing to the City's Pooled Cash bank account.

Disposition

As of June 30, 2014, this problem no longer exists.

CITY OF MANCHESTER, TENNESSEE
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June 30, 2014

(2012-003) Fundraising Activities

During our audit, we found evidence of certain fundraisers held in the name of the City of Manchester. These fundraisers included seasonal cruise-in's, department calendar sales, a police golf tournament, and charity fundraising for certain individuals. No reconciliations or other documentation were available to determine amounts collected or disbursed for these events. No income was found deposited in the City's financial records, which could be attributed to these events. There were certain fundraising related expenditures found which were paid out of City funds, primarily from the Community Policing Fund. These expenditures included items such as televisions, admission tickets, drinks, and various car-cleaning supplies.

In addition, promotional flyers acquired during our audit indicated that some of the fundraisers were held to raise monies for specific activities, such as toys for needy children. Because of the lack of supporting documentation, it was undeterminable as to whether funds were spent in the manner in which donors and participants were told.

Also, in our review of promotional flyers, we observed the advertisement of "50/50" drawings. Any game of chance, including, but not limited to raffles, is illegal in the State of Tennessee unless prior approval is received in advance through the Tennessee Division of Charitable Solicitations.

Disposition

As of June 30, 2014, this problem no longer exists.

(2013-001) Inventory

City officials did not ensure that complete inventory records of high-risk, moveable property were maintained.

Disposition:

As of June 30, 2014, this problem no longer exists.

(2013-002) Net operating loss

The Water and Sewer Fund suffered a net operating loss of \$32,812.73 in the prior fiscal year.

Disposition:

As of June 30, 2014, this problem no longer exists.

(2014-001) Authorized Signatures

Confirmation of bank account information from the Town's financial institution revealed that several bank accounts require only one authorized signature to withdraw or transfer funds.

Recommendation:

Title 5, Chapter 11, Section 7 of the Internal Control and Compliance Manual for Tennessee Municipalities states that two authorized signatures are required for all checks. Authorized signature cards at the bank must be current. Before signing checks, each signatory should review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc).

City's Comment:

The City was made aware of this problem during this audit. The City is currently reviewing all signature cards with banks to correct this problem.